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**Productivity Commission**

Annual Report  
2012-13

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Annual Report Series



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***The Productivity Commission***

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website ([www.pc.gov.au](http://www.pc.gov.au)) or by contacting Media and Publications on (03) 9653 2244 or email: [maps@pc.gov.au](mailto:maps@pc.gov.au)



28 September 2013

The Treasurer  
Parliament House  
CANBERRA ACT 2600

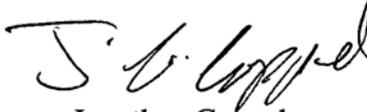
Dear Treasurer

We submit to you the Productivity Commission's annual report for 2012-13. The report is prepared in accordance with section 10 of the *Productivity Commission Act 1998*. The Commission's Act requires that a copy of this report be tabled within 15 sitting days of each House of Parliament after the day of receipt of the report.

Yours sincerely

  
Peter Harris  
Chair

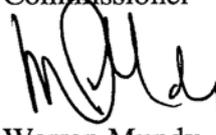
  
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## Chairman and Commissioners



Peter Harris (Chairman)



Philip Weickhardt, Gary Banks (former Chairman) & Patricia Scott



Alison McClelland & Robert Fitzgerald\*



Mike Woods (Deputy Chairman) & Wendy Craik



Angela MacRae, Warren Mundy & Jonathan Coppel

\*:Currently on leave from the Commission

Absent: Siobhan McKenna

## Acknowledgments

The Commission wishes to thank its staff for their continued efforts, commitment and support during the past year.

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# Foreword

This is my first Annual Report as Chair of the Productivity Commission. One of the more significant events for the Commission in the last twelve months was the retirement of Gary Banks, our inaugural Chair. Gary had a major influence on the wide acceptance today of the Commission's role as independent adviser on national reform. On behalf of Commissioners and staff, I wish him well.

On coming to the Commission, I have found a highly competent and committed group of people, who are justifiably proud of the Commission's contribution to national reform. Equally, transitions of this kind create an opportunity for a re-examination of what organisations do and how they do it, especially in times of significant budget restraint.

Accordingly, we are undertaking a number of internal reforms to ensure we can continue to provide high quality advice within a reducing resource base. There will be a need to take a more flexible approach and potentially to broaden our range of report products. Nevertheless, consultation and exposure draft processes so critical to the quality of our outputs will remain central to our work.

We are also improving our ability to communicate in a world where social media is increasingly important. We now use Twitter to inform a wider audience about the availability of our reports. We will also move increasingly toward online reporting as the primary focus and consequently will use this opportunity to improve the information and search functions so important to effective online delivery. Initial changes will be implemented in our Reports on Government Services.

Our research program will focus more closely on flagship pieces, which help to outline future directions for reform. Our first effort in this area will look at over-the-horizon policy options that may be consistent with demographic change.

We expect that the Commission's program of work is likely to expand as the momentum for productivity enhancing reform increases. With a slowing of national income growth as the terms of trade declines, productivity growth becomes, again, the paramount source of sustainable growth.

The Commission looks forward to contributing to a strong national reform agenda.

Peter Harris  
Chair



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# Contents

<b>Foreword</b>	<b>vii</b>
<b>Abbreviations</b>	<b>xii</b>
<b>CHAPTERS</b>	
<b>1 Using administrative data to achieve better policy outcomes</b>	<b>1</b>
Effective policy making rests on evidence	1
Administrative data are sources of evidence	3
What could be done with greater access to data?	5
Why isn't more happening?	10
Australia — limited progress from sporadic starts	13
A sustained and concerted effort is needed	14
<b>2 Review of Commission activities and performance</b>	<b>17</b>
Overview	18
Year in review	19
Transparency and public consultation	24
Feedback on the Commission's work	28
Policy and wider impacts	28
Associated reporting	35
<b>APPENDICES</b>	
<b>A Management and accountability</b>	<b>39</b>
<b>B Program performance</b>	<b>65</b>
<b>C Competitive neutrality complaints</b>	<b>121</b>
<b>D Government commissioned projects</b>	<b>123</b>
<b>E Supporting research and related activities</b>	<b>145</b>
<b>F Publications</b>	<b>157</b>
<b>G Financial statements</b>	<b>161</b>

---

<b>Attachments</b>	
<b>A1 Commissioner and employee statistics</b>	<b>57</b>
<b>A2 Agency Resource Statement — 2012-13</b>	<b>61</b>
<b>A3 Fraud control certificate</b>	<b>62</b>
<b>A4 Compliance Index</b>	<b>63</b>
<b>References</b>	<b>211</b>
<b>Index</b>	<b>233</b>
<b>Boxes</b>	
1.2 Techniques to protect confidentiality	11
2.1 Participative and transparent processes	25
2.2 Respect for Commission activities: some recent examples	29
B.1 Performance indicators for the Commission	70
B.2 Longer-term influence	71
B.3 Supporting research and annual reporting publications, 2012-13	115
B.4 Supporting research projects underway at 30 June 2013	116
<b>Figures</b>	
2.1 References on hand	19
2.2 Website hits	27
2.3 Mentions of the Commission in Australian parliaments, 2009-10 to 2012-13	34
A.1 Productivity Commission structure and senior staff, 30 June 2013	40
B.1 Productivity Commission main activities 2012-13	66
<b>Tables</b>	
1.1 Advantages and disadvantages of using administrative data	5
A.1 Financial and staffing resources summary	42
A.2 Expenditure on consultancies, 2008-09 to 2012-13	53
A1.1 Chair and Commissioners, 30 June 2013	57
A1.2 Part-time Associate Commissioners, 30 June 2013	57

---

A1.3	Part-time Associate Commissioners completing appointments during 2012-13	58
A1.4	Employees by location and gender, 30 June 2013	58
A1.5	Employees by employment status and gender, 30 June 2013	59
A1.6	Salary ranges, 30 June 2013	59
A1.7	Employees by level and reason for separation, 2012-13	60
B.1	Use of Commission publications in parliamentary committee reports in 2012-13	74
B.2	Parliamentary Library use of Commission publications in 2012-13	77
B.3	Program of public inquiries and other government-commissioned projects	88
B.4	Public inquiry and other commissioned project activity, 2008-09 to 2012-13	89
B.5	Cost of public inquiries and other commissioned projects completed in 2012-13	90
B.6	Direct administrative expenditure on public inquiries and other government-commissioned projects, 2008-09 to 2012-13	90
B.7	Impact of recent Commission inquiry reports on government policy making	96
B.8	Impact of recent Commission inquiry reports on government policy making	98
B.9	Formal competitive neutrality complaints, 2008-09 to 2012-13	112
D.1	Stage of completion of commissioned projects and government responses to Commission reports	124
E.1	Speeches and presentations by the Chair, Commissioners and staff, 2012-13	150
E.2	International delegations and visitors, 2012-13	155

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# Abbreviations

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACCI	Australian Chamber of Commerce and Industry
AGCNCO	Australian Government Competitive Neutrality Complaints Office
AIHW	Australian Institute of Health and Welfare
ALGA	Australian Local Government Association
ANAO	Australian National Audit Office
ANU	Australian National University
ANZSIC	Australian and New Zealand Standard Industrial Classification
ANZSOG	Australia and New Zealand School of Government
APEC	Asia-Pacific Economic Cooperation
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
BRCWG	Business Regulation and Competition Working Group (COAG)
CEDA	Committee for Economic Development of Australia
COAG	Council of Australian Governments
CRC	COAG Reform Council
EFIC	Export Finance and Investment Corporation
EGWW	Electricity, gas, water & waste services
GS	Gas supply
GDP	Gross Domestic Product
GTAP	Global Trade Analysis Project
GTEs	Government trading enterprises
HILDA	Household, Income and Labour Dynamics
ICTs	Information and communication technologies
IMF	International Monetary Fund
LP	labour productivity
MBS	Medicare Benefits scheme

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MFP	multifactor productivity
NAPLAN	National Assessment Program for Literacy and Numeracy
NATSEM	National Centre for Social and Economic Modelling
NBN	National Broadband Network
NCP	National Competition Policy
NRA	National Reform Agenda
OAIC	Office of the Australian Information Commissioner
OECD	Organisation for Economic Cooperation and Development
OHS	Occupation health and safety
OID	Overcoming Indigenous Disadvantage report
PBS	Pharmaceutical Benefits Scheme
PC	Productivity Commission
RBA	Reserve Bank of Australia
RCT	Randomised Control Trial
R&D	Research and development
ROGS	Report on Government Services
SES	Senior Executive Service
SLA	Statistical Local Areas
TCF	Textiles, clothing and footwear
WSSD	Water supply sewerage & drainage services



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# 1 Using administrative data to achieve better policy outcomes

**All levels of government hold data for administrative purposes. These data sets cover large parts of the population, offering a largely untapped opportunity to evaluate policies and programs and develop more effective and efficient ones. Unlike many other countries, Australia makes relatively little use of its public data resources even though the initial costs of making data available would be low relative to the future flow of benefits. International experience shows that confidentiality can be protected, and domestically, researchers have used de-identified Western Australian data for over 30 years without any breaches of privacy.**

**Academics, researchers, data custodian agencies, consumers and some Ministers are eager to harness the evidentiary power of administrative data, but this enthusiasm generally is not matched by policy departments. Despite tentative steps, overall progress has been inadequate. Leadership and commitment is required to promote the evidence-based policies needed to meet Australia's economic and social objectives within budget constraints that will become more acute given the demographic outlook.**

## **Effective policy making rests on evidence**

Systematic evidence-based analysis is an essential element of all good policy. It is particularly important for social services with such a major share of budget outlays. For 2013-14, Australian Government spending is expected to be \$398 billion with social security and welfare, \$138 billion (35 per cent); health, \$65 billion (16 per cent) and education, \$30 billion (7 per cent) (Australian Government 2013). Australia-wide, expenditure on health alone was around \$130 billion in 2010-11 of which the Australian and state and territory governments funded 69 per cent (AIHW 2012). Significantly, the costs of health and aged care are expected to rise sharply with Australia's ageing population and advances in medical treatments.

The Commission has previously addressed the need to strengthen evidence-based policy development (PC 2010b). It postulated that community expectations of what governments can do about policy problems often run ahead of reality or are

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influenced unduly by sectional interests. In Australia, this can be compounded by failure to draw on information that would elucidate understanding of problems and proposed solutions. The Commission identified several contributing factors:

- a diminution, over many years, of specialist public sector research bureaux
- in-house evaluations, to the extent they are done, being conducted by policy departments that are constrained in the frankness of their (public) evaluations
- relatively little experience of public agencies sharing data with academics and other external specialists (PC 2010b).

A rich vein of information is held by governments in the form of ‘administrative data’ collected for regulatory requirements (e.g. vehicle registrations and taxation declarations), program administration (e.g. Centrelink and Medicare payments, school, university and vocational enrolments and completions, and hospital admissions) or as a byproduct of transactions (e.g. fines and fees) (ABS 2011, p. vi).

The Commission concluded that access to de-identified data for government users, academics and other researchers should be pursued as a priority (PC 2010b). But its recent work is testimony that gaining access to administrative data remains difficult. In *Caring for Older Australians*, the Commission noted that:

... given that the Government already collects and maintains detailed data sets relating to aged care, the provision of better public access to this data is likely to generate sizable net benefits... the default presumption should be that data be transparent and automatically released in a timely manner. (PC 2011a, pp. 462-3)

Similarly, in *Disability Care and Support* it considered:

Data are a key aspect of the evidence base of a good insurance scheme (and badly lacking in the current disability system) ... (PC 2011b, p. 564)

A Commission staff paper on *Deep and Persistent Disadvantage* found:

Administrative data has the potential to provide new knowledge to inform researchers and policy makers about ... disadvantage. (McLachlan et al., 2013, p. 2).

Administrative data (and data matching) is commonly used to detect undeclared income by welfare recipients (McLucas 2013) or over-claiming by service providers. While these initiatives reduce waste of scarce resources and reinforce public confidence, the savings from improved program integrity are likely to pale in comparison to the costs that can arise if the underlying programs themselves are poorly designed and therefore less effective. Used for comprehensive policy analysis, data matching could identify programs that do not work and for whom and where enhancements could be made to programs that do. Making these data available would enable independent verification of official evaluations, as well as providing insights of relevance to governments at low cost.

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## Administrative data are sources of evidence

Australia is well positioned to take advantage of its administrative data resources:

- all Australian governments hold extensive longitudinal administrative databases containing high quality information about large populations
- increases in computing power, data storage and data capture and matching technologies mean that analysis of very large databases is increasingly feasible
- advances in analytical techniques allow investigation in ways that can isolate policy impacts from other influences (Leigh 2010, Smith and Sweetman 2010)
- the Objects of the *Freedom of Information Act 1982* declare that information held by the government is a national resource to be managed for public purposes.<sup>1</sup>

Yet, Australia's experience remains one of untapped potential. In 2008, Australian Government Treasury officials reported:

Having clearly defined administrative data is all very well, but it's next to useless if these data are not shared with those best able to build the evidence base. Our universities and research institutes are teeming with people wanting to draw lessons from agencies' statistics... Researchers are often forced to fumble around like the drunk that searches for his keys under a street light — not because his keys are likely to be there, but because it's the only spot where he can see. (Gruen and Goldbloom 2008)

Five years on, Professor Gregory lamented the:

... long standing government institutional failures to make the necessary data available to allow Australians to understand how their IS [income support] system interacts with the labour market .... Independent researchers have not been given sufficient access to administrative longitudinal IS data from Centrelink, any access to administrative data on job finding services and implementation of job seeker activation from DEEWR and any access to unit record ABS time series data ... (Gregory 2013, p. 6)

Australian researchers have often had to look elsewhere to obtain the data necessary to investigate public policy matters. The Australian Government has funded research organisations and the Australian Bureau of Statistics (ABS) to develop longitudinal databases — in areas as diverse as children, migrants, youth, ageing, and families — and make confidentialised unit record data available to registered users. The most significant broad longitudinal survey in recent years is the Household, Income and Labour Dynamics (HILDA) survey at the Melbourne Institute. Gregory (2013, p. 6) considered HILDA to be the 'the most important data innovation of the last decade'. Similarly, the Commission has noted that, by giving

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<sup>1</sup> The Office of the Australian Information Commissioner's Principles on Open Public Sector Information states that open access to information should be the default position (OAIC 2012).

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researchers access to longitudinal data, HILDA has stimulated substantial important policy relevant research (PC 2010b). The same can be said for the longitudinal surveys of Australian Children and of Australian Youth.

### **Are longitudinal surveys a substitute for administrative data?**

While necessity has driven Australian researchers to develop different sources of evidence, surveys and administrative data are not necessarily substitutes — each has strengths and weaknesses. An advantage of surveys is the control researchers have over content at the specification stage. This is conducive to survey questions being built around soundly constructed theories and methods.

On the other hand, surveys are less likely to include sufficient numbers of particular groups, such as the most disadvantaged (e.g. homeless people or those with substance abuse problems) who are by nature difficult to contact and who may not give consent to participate. For example, when the Commission surveyed people receiving counselling for gambling problems, the majority indicated that prior to seeking counselling they would not have answered a population survey about gambling (PC 1999). And, even if surveys could initially capture a reasonable cohort of such households, this group is more likely to drop out, so apparent trends can be confounded by attrition. Apart from selection bias, survey responses may be influenced by behavioural changes that arise from the act of participation itself. Conducting surveys and seeking participants' consent can be very expensive compared to analysing existing data.

Administrative data encompass longitudinal structures that enable analysis of outcomes over time; large samples, sometimes full populations, that allow rarer events or smaller groups to be studied; and high quality information that does not suffer from rising non-response rates, attrition and under reporting. All of this adds to greater statistical power for robust policy analysis. Of course, 'raw' administrative data have characteristics that may need to be addressed if the information is to be used for policy analysis (table 1.1).

Data linkage can consolidate administrative data with information held elsewhere, such as surveys. Administrative data can indicate *what* happened to whom in terms of pathways and outcomes benchmarked against policy variations. Surveys can elicit more targeted information on *why* people behaved as they did. A further benefit of data matching would be to enable surveys to omit sensitive questions, such as income levels, substance abuse or other factors that typically get a low response. This would reduce costs and respondent burden.

**Table 1.1 Advantages and disadvantages of using administrative data**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>• Collected for operational purposes, so no additional collection costs, but will incur extraction and cleaning costs</li> </ul>	<ul style="list-style-type: none"> <li>• Information collected is restricted to data for administrative purposes and limited to users of services and administrative decisions</li> </ul>
<ul style="list-style-type: none"> <li>• Collection not additionally intrusive to target population</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of researcher control over content</li> </ul>
<ul style="list-style-type: none"> <li>• Regularly, sometimes continuously, updated</li> </ul>	<ul style="list-style-type: none"> <li>• Proxy indicators sometimes have to be used</li> </ul>
<ul style="list-style-type: none"> <li>• Can provide historical information and allow consistent time-series to be built up</li> </ul>	<ul style="list-style-type: none"> <li>• May lack contextual/background information</li> </ul>
<ul style="list-style-type: none"> <li>• Collected in a consistent manner, if part of a national system</li> </ul>	<ul style="list-style-type: none"> <li>• Changes to administrative procedures can change definitions and make comparisons over time problematic</li> </ul>
<ul style="list-style-type: none"> <li>• Subject to rigorous quality checks</li> </ul>	<ul style="list-style-type: none"> <li>• Missing or erroneous data. Possible incentive to fabricate responses to access benefits.</li> </ul>
<ul style="list-style-type: none"> <li>• Near full coverage of population of interest</li> </ul>	<ul style="list-style-type: none"> <li>• Quality issues with variables may be less important (e.g. address details not updated)</li> </ul>
<ul style="list-style-type: none"> <li>• Reliable at the small area level</li> </ul>	<ul style="list-style-type: none"> <li>• Metadata — lacking or of poor quality</li> </ul>
<ul style="list-style-type: none"> <li>• Counterfactuals / controls can be selected post hoc</li> </ul>	<ul style="list-style-type: none"> <li>• Data protection issues</li> </ul>
<ul style="list-style-type: none"> <li>• Captures those who may not respond to surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Access by researchers dependent on support of data providers.</li> </ul>
<ul style="list-style-type: none"> <li>• Potential for data sets to be linked to produce powerful research resources</li> </ul>	<ul style="list-style-type: none"> <li>• Underdeveloped theory and methods</li> </ul>

Source: Smith et al. 2004.

## What could be done with greater access to data?

Administrative datasets could be instrumental in gaining insights into whether government programs:

- meet their stated objectives — do they work or are other influences at play?
- operate as intended — do recipients respond to (dis)incentives and are there unanticipated (good or bad) effects on recipients or the community?
- are delivered effectively — are there queuing or discouragement effects?
- deliver services in the right places — are services located near people in need?

Such information is fundamental to deeper questions about whether the policy mix is coherent or whether other policy initiatives work to hinder desired outcomes. There may be interactions between disparate factors that impinge on outcomes which can only be detected using large data sets. Administrative data could also be used proactively to instigate debate on matters of public importance that would otherwise fail to gain traction without corroborating evidence. These benefits are increasingly recognised. The Australian Government’s ‘big data’ Issues Paper identified that processing and integrating administrative data has the:

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... potential to transform service design and delivery so that personalised and streamlined services, that accurately and specifically meet individual's needs, can be delivered to them in a timely manner. (Commonwealth of Australia 2013, p. 4)

In a similar vein, this year the (former) Minister for Human Services championed the cause of better use of administrative data resources:

... if you start from the premise that you are serious about evidence-based policies you realise you can actually develop them by using the data you've already got. We know where people live, we know when they've worked and how they've responded to major shocks. We know what illnesses they have suffered, and how they were treated. We can follow a family's journey right down the generations. I want to open up that information to researchers ... For example I would like to know what type of medical admissions take place ahead of applications for child support. If we knew that, we would know where to best direct resources before they were needed. (Carr 2013)

De-identified administrative data collections could be made available to researchers, to encourage examination of policies. Robust evidence of policy efficacy need not be the sole province of sophisticated techniques like randomised control trials (RCTs) — the so-called 'gold standard' of evidence, used extensively in the United States for policy evaluation. Because RCTs can be costly, difficult to design well, and can raise ethical issues about risks for the 'treatment' or 'control' groups, they have rarely been used in Australia. If administrative data were disclosed, analysis using alternative methodologies could shed light on policy performance.

## **We could better understand disadvantage**

Access to administrative data would provide much needed insights of the paths into, through, and out of, disadvantage. McLachlan et al. observed that:

Government agencies, at all three levels of government, hold very large administrative data sets which may assist in unlocking a deeper understanding of the factors influencing disadvantage, the government programs that are accessed by those experiencing disadvantage, and how those programs assist (or hinder) those who are the most vulnerable. (McLachlan et al. 2013, p. 196)

Using administrative data, researchers could derive evidence on people's lifecycle use of income support (Newstart, disability or other benefit), the duration(s) of use and their parents' benefit history. By linking data on other factors — such as location, educational attainment, mental health, hospitalisations and incarceration — it would be possible to analyse the pathways for individuals and families with characteristics that make them vulnerable to persistent or intergenerational disadvantage. Administrative data could identify events such as job loss, incapacity and family breakdown that contribute to individuals' transition to social exclusion. Absent this information, policy must rely on partial analyses and intuition.

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## We could connect more dots in health

Australia has population-based data on Medicare services, dispensing of subsidised pharmaceuticals, emergency department presentations, hospital admissions, aged care and deaths. Linked, these data have huge potential for policy-relevant research. Professor Stanley has claimed that access to real-time prescription and birth data could have detected the connection between the morning sickness drug thalidomide and thousands of birth defects much earlier.

The whole reason we set up birth defects registries across Australia was to pick up the next thalidomide.. But until now we haven't been able to link those registries to the Pharmaceutical Benefits Scheme. It's insane. (Stanley 2012)

Stanley's research also established that a maternal diet rich in folic acid can prevent spina bifida in babies. Integrating administrative data was pivotal for this work.

One study that linked MBS, PBS and Western Australian hospital morbidity data examined the scope to achieve better integrated services (DHAC 2000). The study recommended using unique patient records to automate data collection for health care monitoring. There appear to have been few subsequent studies that have been able to access and link MBS and PBS data for research.

Greater linking of health and non-health data sets could save lives and deliver more efficient and better targeted services. In 2009, the National Health and Hospitals Reform Commission recommended that:

To better understand people's use of health services and health outcomes across different care settings, we recommend that public and private hospital episode data should be collected nationally and linked to MBS and PBS data using a patient's Medicare card number. (NHHRC 2009, p. 21)

However, current privacy guidelines mean that MBS and PBS information may be disclosed for medical research, but not statistical research.<sup>2</sup> Medical research can result in more effective treatments, whereas 'statistical' research may result in programs that reduce the likelihood of conditions developing, and more efficient targeting of resources where treatments are necessary. Protecting confidentiality is warranted but the current approach is too cautious and complex with the restrictions creating unnecessary downsides and delays for evidence-based policy formulation.

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2 Legislation outlining how and when Medicare Benefits scheme (MBS) and Pharmaceutical Benefits scheme (PBS) data can be linked is contained in the *National Health Act 1953* (s. 135AA and 135AB). It prohibits the storage of MBS and PBS data in the same data base and any linkage unless the linkage is specified in privacy guidelines. The Privacy Guidelines for the MBS and PBS were last issued in 2008. MBS and PBS information may be disclosed for medical research, but not statistical research, either with consent from the individuals involved or in accordance with guidelines issued by the National Health and Medical Research Council.

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## **We could analyse the interactions between welfare and work**

The pathways between welfare and work are complex. There are poverty traps arising from the effective marginal tax rates confronting those deciding to transition from welfare to work. There are also interactions with minimum wages, educational attainment, skills, location and labour mobility. There is also debate about how the level of income support affects incentives to seek work.

On the latter question, Professor Gregory sought to evaluate Australia's 'make work pay' approach by asking whether increasing the relative poverty of income support recipients leads them to increase their employment sufficiently to offset the poverty-creating element of the policy. Gregory concluded that independent research has not been able to address such questions, citing the inability to access administrative data and observing that:

... good researchers have directed their attention elsewhere, perhaps to other countries' data and other countries' problems. As a result, not a great deal is known about the effectiveness of our 'make work pay' policy. (Gregory 2013, p. 3)

The OECD has similarly drawn attention to a failure to provide data or conduct external evaluations of Job Services Australia (formerly the Job Network), casting Australia 'as secretive, relative to other countries' (OECD 2012, p. 225).

Sometimes government departments draw on administrative data but keep the evaluations in-house (McLachlan et al., 2013). Sometimes they will use outside researchers. The Department of Education, Employment and Workplace Relations has made unit record data available to the Melbourne Institute of Applied Economic and Social Research under a research agreement. This enabled analysis of the behavioural responses of income support recipients to a tightening in eligibility requirements in 2007 (Fok and McVicar 2011) and of their participation in training and education (Cai, Kuehnle and Tseng 2010). Arrangements such as this, while positive, are not broad enough and tend to be driven by the needs of government agencies, rather than releasing data per se for wider evaluation and analysis.

## **And we could do much more**

At the state level, Western Australia (WA) has been an early adopter of making its state-based administrative data available. WA now has significant capability with data linkage and periodically has been able to access and link to Commonwealth data — typically for medical research — on a one-off basis after a protracted process. The statistical power of data linkage exercises and the consequent information made available for policy purposes are substantial (box 1.1).

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## Box 1.1      **The power of data linkage**

### *Medicines and birth defects*

WA researchers linked PBS data with population-based data for over 100 000 pregnant women in WA from 2002 to 2005. Records of births to women who were dispensed medicines were linked to the Birth Defects Registry of WA. There were 47 medicines dispensed at least once during pregnancy with 23 associated with a registered birth defect to a woman dispensed the medicine. The study concluded that linked administrative data could be an important means of pharmacovigilance in pregnancy in Australia (Colvin et al., 2010).

### *Cancer risk from exposure to computed tomography (CT) scans*

This study, funded by the Australian Government via the National Health and Medical Research Council, sought to assess the cancer risk in children and adolescents after exposure to CT scans. It covered 10.9 million people from Medicare records, aged 0-19 years in January 1985 and all Medicare-funded CT scans during 1985-2005 were identified. Diagnosed cancers were obtained from national cancer records. 60 674 cancers were recorded, including 3150 in 680 211 people exposed to a CT scan at least one year before any cancer diagnosis. Overall cancer incidence was 24 per cent greater than for unexposed people. The study concluded that future CT scans should be limited to situations where there is a definite clinical indication, with scans optimised to provide an image at the lowest possible radiation dose. (Mathews et al., 2013)

### *High care costs for mature aged Australians*

A study undertaken by the University of Technology in Sydney examined health care costs for mature aged Australians by isolating expenditures due to health 'shocks' from those that are intrinsic to individuals. 267 000 survey responses obtained from the '45 and Up' study by the Sax Institute were linked to records from NSW Admitted Patient Data, NSW Emergency Department Data, the MBS and PBS. The NSW data linking was performed by the Centre for Health Record Linkage (CHeReL). The study found:

- high health expenditures that are intrinsic to individuals (or high fixed effects) tend to be associated with people who are old, sick and engage in unhealthy lifestyles.
- little evidence of high fixed effects being related to a relationship driven by a general practitioner nor by fee setting behaviour (Ellis et al., 2012).

### *Characteristics of children and families with child maltreatment*

WA researchers investigated specific child and parental factors associated with increased vulnerability to substantiated child maltreatment. The study of all children born in WA during 1990–2005 used de-identified record linked data for child protection, disability services and health. The strongest factors found to increase the risk of child maltreatment included: children with an intellectual disability; parental socioeconomic status; parental age; and parental hospital admissions related to mental health, substance abuse and assault (O'Donnell et al., 2010).

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## Why isn't more happening?

Australia lacks a culture of information sharing and proactive data release. It appears that the main barriers to changing this culture are: protection of privacy; the resources needed to ensure that data are of sufficient quality for policy evaluation; and concerns by governments about unfavourable findings on policy effectiveness.

### Privacy and confidentiality

Government agencies must ensure that personal information is not released publicly, is only available to authorised people on a need to know basis, cannot be derived from disseminated data, and is maintained securely. Linking administrative data or allowing access to third parties opens up further layers of risk, including attacks on data systems, either from within organisations, data laboratories, or through the internet (if accessible in this way).

Protocols for managing risks *ex ante* coupled with sanctions for researchers and data processors who breach privacy legislation are critical to assuage privacy concerns. Processes and systems can be implemented throughout data acquisition, storage and transformation to ensure data are secure, anonymous and accessed only by authorised individuals. Apart from standard de-identification protocols — regularly used by the ABS for example — more stringent safeguards can be implemented (box 1.2). Although some of these measures can reduce data quality somewhat, this is preferable to not releasing data at all.

De-identification of data, including setting up unique identifiers for matching, and storing these separately and securely, is feasible and commonplace. In relation to the WA data linkage system, Professor Stanley reported:

We've got registers of birth defects, of cancer ... of autism and mental health problems. We've got all the hospitalisations and all the deaths, and we collect these and link them together anonymously so that we actually only ever see the linked data. We're not interested in individual people; we're interested in large numbers ... (Stanley 2013)

In over 30 years of data linkage, the WA arrangements have not had one breach of any identifiable information (Stanley 2010, p. 75).

It is also notable that clients of services become frustrated when they have to submit the same information to different agencies because of privacy restrictions. Indeed, it appears that consumers in WA have lobbied for data linkage so as to improve services provision. A balance needs to be struck between information sharing and privacy by making clear that the purpose of using administrative data for research purposes is to benefit people, not to penalise them — fraud detection aside.

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### Box 1.2     **Techniques to protect confidentiality**

1. Suppression — not release parts of data that consist of too few observations.
2. Aggregation — make the data less precise by changing the level of detail.
3. Top/bottom-coding — limit the largest or smallest values possible of given variables.
4. Swapping — switch data values between records to make matching more difficult.
5. Random noise — add random amounts to numerical data, to mask the true amount.
6. Synthesising — replace data with values generated from probability distributions. Synthetic data can replace some variables or the whole data set (fully synthetic).

Sources: McCallister et al. (2010), Matthews and Harel (2011).

## **Resource implications and data quality**

For administrative data to be useful for research it generally must first be manipulated (table 1.1). Data linking and matching can be complex especially where there are no unique identifiers. Automated matching and processing techniques can make linking data easier but these processes still require verification.

Researchers will want administrative data that is well specified, uses consistent definitions, and has ‘health warnings’ about pitfalls that might be known only to data owners. Even within series, discernible trends or deviations may simply reflect changes in definition. Databases need to be maintained and policy changes mapped. Clearly, there are non-trivial costs associated with maintaining, (dis)aggregating, linking, storing and supplying data. All of this requires specialist expertise, infrastructure and management time. Efficient user charges may be appropriate.

It would also be possible to reduce costs by anticipating data sharing. Greater prior consideration of the potential usefulness of data for research and evaluation could encourage more focused data collection, improving the quality of information for governments and reducing the reporting burden on providers. In its review into the *Contribution of the Not-for-Profit Sector*, the Commission found that agencies collected huge amounts of data from service providers, much of which was not used (PC 2010c). More useful data for providers would help them assess their own programs’ effectiveness, including through benchmarking against other providers. As observed by the Director of the Australian Institute of Health and Welfare (AIHW) in relation to ensuring the value of data sourced administratively:

One approach is to deliver some benefits to the provider of the information, so they not only incur the cost and inconvenience of the data supply, but also get some meaningful information back that helps them or their organisation to better carry out their required activities. (Kalisch, 2011, p. 7)

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Greater use of data matching should encourage agencies to collect information in standard formats (e.g. the ranges used to collect income) which would increase the value of all existing data sets. Data matching could also reduce respondent burden by avoiding the need for repeated provision of the same information. The national information agreements signed up to by all governments and certain data providers, including the AIHW and ABS, should assist to improve the quality of administrative data for health, community services and housing. While these principle-based agreements are not binding, they can encourage better practice.

## **Political resolve**

There is genuine appreciation by some data custodian officials of the power of administrative data. However, experience to date suggests that this appreciation has not been matched by improved access to that data for independent analysis. It appears that the blockages occur within policy departments, reflecting sensitivities that providing data for independent research could yield unfavourable public findings about policy effectiveness. Related to this is trepidation about releasing unrefined data and the misinterpretation or misuse of these data that could arise.

However, this short-term wariness comes at the cost of long-term gains for the Australian community. As noted, some Ministers have been more willing to allow researchers access to data, including the former Federal Minister for Human Services, who ‘swiftly approved data requests from RMIT University, the Australian National University and the University of Queensland’ (Martin 2012).

### *Other countries have shown resolve*

Australia can look overseas to judge the feasibility and value of granting access to administrative data. In Denmark, Sweden, Finland and the Netherlands, linked administrative data are accessible for research purposes (Administrative Data Taskforce 2012). Statistics Finland considers that statistics should be compiled from administrative records whenever possible — around 96 per cent of its data come from these sources (Statistics Finland 2004).<sup>3</sup> This openness promotes research — ‘microsimulation specialists pour into Nordic countries because of their liberal approach towards sharing statistics’ (Gruen and Goldbloom 2008).

In New Zealand education, migration, participation, social benefits and longitudinal business databases have been linked enabling research into areas such as: immigrant

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<sup>3</sup> Records include population, tax, trade, employment, labour market training, income support, conscription, student enrolments and business registrations.

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outcomes; employment assistance effectiveness; effects of wage subsidies on individuals and firms; and intellectual property and productivity (Statistics New Zealand 2012, 2013). The New Zealand Government recently launched a system to give approved researchers remote access to de-identified microdata about people, households and businesses from their own desktops. The Minister for Statistics stated that the initiative was part of a ‘Government objective to have all public sector agencies releasing high value public data for re-use’ (Williamson 2013).

In Canada, administrative data on hospital discharges, prescription drug usage and ambulatory care is linked to population health survey data, birth and death databases and cancer registries (Statistics Canada 2010).

## **Australia — limited progress from sporadic starts**

Western Australia’s Data Linkage System is seen by international peers as a leader in the field. Over 700 studies have drawn on the linked data in areas including health and aged care (formerly with the Commonwealth Department of Health and Ageing), development pathways for children, family connections, Indigenous identification, and road safety (DLWA 2013).

Progress in other Australian jurisdictions has been patchy. The Centre for Health Record Linkage, established in 2006, enables access to health data in New South Wales and the ACT (see box 1.1). It is one of the largest linked, health-related databases in Australia (CHeReL 2013). Queensland has recently made some databases available online and some other jurisdictions are making progress. The Queensland Premier stated that:

As a government, we collect, generate and use a lot of data. This data can deliver real benefits to the Queensland community and economy—if it is used in clever ways ... we will be releasing as much of it as possible ... (Queensland Government 2013)

Nationally, in 2008, Australian governments (through CoAG) agreed to make more administrative data available for performance reporting on health and education systems; disability, community and housing services; and the ‘Closing the Gap’ targets for Aboriginal and Torres Strait Islander Australians.

The Australian Government is in the early stages of developing a big data strategy to ‘enhance cross-agency data analytic capability for improved policy and service delivery’ (Commonwealth of Australia 2013, p. 4). Its issues paper highlighted the opportunities and challenges (e.g. privacy, data management and skills).

Drawing on the data linkage experience of WA, the Population Health Research Network (PHRN) is an Australian Government initiative to build a nationwide data

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linkage infrastructure and enhance the way health and health related data are made available to approved researchers. It is a collaboration between the WA Centre for Data Linkage, Telethon Institute for Child Health Research WA, AIHW, the Sax Institute and state and territory data collation units. The PHRN *Proof of Concept Collaboration #1* project aims to link hospital admission data with hospital-related deaths across different states. The project will test data transfer and linkage processes. While most states have made progress developing linkage capabilities, lengthy delays occur with access to data owing to protracted approvals processes.

A Statistical Data Integration Involving Commonwealth Data (SDIICD) initiative was established in 2009 to ‘create an Australian Government approach to facilitate linkage of social, economic and environmental data for statistical and research purposes’ (CPSIC 2010, p. 2). A cross portfolio board oversees the data integration environment. All data integration projects under the SDIICD require an ‘Integrating Authority’ to be accountable for the project and projects considered high risk must use an ‘Accredited Integrating Authority’. The ABS and the AIHW are currently the only two accredited authorities (NSS 2011).<sup>4</sup>

While these institutional arrangements now in place could facilitate data linkage and access for research, it is important that they do not become too onerous and ‘chill’, rather than encourage, collaboration. For example, through its National Performance Reporting role, the Commission has found the SDIICD initiative requirements — such as the need to use a registered integrating authority rather than allowing work to be done in-house — to be unduly burdensome. In addition, while Ministers agree to the contents of National Minimum Data Set collections, which are managed by the AIHW, they insist on signing off any release of that data. The Commission has also asked the ABS to release non-contentious data under embargo for National Performance Reporting — as other data providers do routinely — but no action has occurred to date.

## **A sustained and concerted effort is needed**

Policy-making based on good evidence is central to improving community living standards. Tackling community concerns about policy problems with expenditure announcements is not, of itself, sufficient. For expenditures to be effective and efficient they need to be based on analysis using the best information available. A rich vein of evidence resides within administrative databases. A failure to exploit

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<sup>4</sup> There are four projects on the Public Register of Data Integration Projects: ABS Census Data Enhancement Indigenous Mortality Project; ABS Migrant Personal Income Tax Data Integration Project – Feasibility phase; ABS Migrants Census Data Enhancement Project; Low dose radiation – effects of CT scans in childhood (AIHW).

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this evidence would be a missed opportunity given Australia’s demographic and structural budget challenges.

The Australian Government has made statements recognising the benefits from better use of administrative data and introduced strategies and integration initiatives with new administrative architecture. All of this seems positive, but it has not yet been matched by open access to data for independent policy research. The frustrations here are eerily similar to those in the United Kingdom.

... there are examples in the UK of administrative data being linked between government departments and used for research purposes. However, the number of examples is too few, the time taken to get agreement to use such data is too long, inconsistent decisions are being taken within government departments concerning rules of access and, most frustratingly, the legislative framework provided to allow for linkages to be made across departments is cumbersome and inefficient. (Boyle 2012, p. ii)

There appears to be a similar lack of durable commitment by the Australian Government and most state and territory governments to make better use of data. On occasion, ‘reform champions’ within government have sought to release data in order to improve outcomes for the community, but sustaining momentum with changing personnel and shifting priorities is challenging.

Other nations and Western Australia — especially where it has been able to link to Commonwealth health data — have shown that harnessing administrative data can deliver substantial benefits with low risks, manageable costs and in ways that protect people’s privacy. Given the magnitude of current (and projected) expenditures in social programs, the relatively small costs of establishing systems for greater access to public data would be worthwhile.

Australia has an opportunity to support more open government, improve policy evaluation and strengthen public research. Realising these goals requires political will, articulated at the highest levels, to persevere with a concerted strategy with clear timeframes based on the principle that open access to de-identified information should be a default position. Realistically, it could take 5-10 years to rollout and embed systems before the ‘holy grail’ of relatively unimpeded remote access to high quality, de-identified and linked administrative data is achievable.

While there have been announcements and initiatives in the past and more recently, the lack of sustained tangible progress means that it is important that the 5-10 year timeframe does not become a motivation for more ‘false starts’, deferrals or eventual reprioritisation and non-delivery. International practices and over thirty years of experience in Western Australia suggest that the capabilities necessary to achieve a more open data culture could be developed by all Australian governments.



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## 2 Review of Commission activities and performance

### **Some highlights from 2012-13**

- published reports on a range of policy topics:
  - Climate change adaptation
  - Default superannuation funds
  - Electricity network regulation and Australia's patent system
  - Joint study (with the New Zealand Productivity Commission) on furthering economic relations between the two countries
- completed further regulatory benchmarking studies on the role of local government and regulatory impact analysis
- released the eighteenth edition of the annual Report on Government Services and a range of National Agreement performance reports
- commissioned an external independent review of the Overcoming Indigenous Disadvantage: Key Indicators report
- completed a variety of supporting research, including papers on Income Distribution, Forms of Work, Deep and Persistent Disadvantage, Sustainability and Efficiency and Effectiveness.

### **Some areas of focus for 2013-14**

- current inquiries and government-commissioned research:
  - Minerals and energy resource exploration
  - National access regime
  - Major project development assessment processes
  - Regulator engagement with small business
  - Geographic labour mobility
  - Access to civil justice and
  - Processed tomato and fruit import Safeguards
- Report on Government Services, Overcoming Indigenous Disadvantage report, Indigenous Expenditure Report and National Partnership Agreement data

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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 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 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 inquiries or studies
- performance reporting and related analysis of Commonwealth and State service provision
- competitive neutrality complaints
- supporting research activities and a statutory analysis of industry support.

Appendices E and F provide further detail on recent projects.

A substantial increase in work on hand has occurred in recent months. This includes inquiries and studies on mineral and energy resource exploration, the national access regime, major project development assessment processes, regulator engagement with small business, geographic labour mobility, access to civil justice and import safeguards.

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. Specific projects undertaken to assist policy development across jurisdictions in 2012-13 included a benchmarking study on the regulatory role of local government, to assist the work of the COAG Business Regulation and Competition Working Group

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(BRCWG), and a benchmarking study into regulatory impact analysis (RIA) processes.

## 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 2012-13 are outlined below.

### Public inquiries and commissioned studies

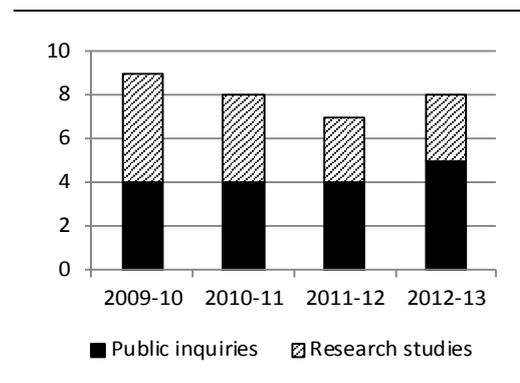
There were nine public inquiries and six commissioned research studies underway at some time during 2012-13. In addition to completing seven references from the previous year, references were received for eight new projects on a range of topics (figure 2.1 and table B.3).

The Commission completed four inquiries commenced in the previous financial year on: climate change adaptation, electricity network regulation, default superannuation funds and the compulsory licensing of patents.

Five new inquiries commenced in 2012-13.

- In September 2012, the Australian Government asked the Commission to undertake a 12 month inquiry into the non-financial barriers to mineral and energy resource exploration. The inquiry will examine the exploration approval systems and processes within and across jurisdictions to assess their effectiveness and efficiency, and examine the costs associated with the regulation of exploration activities.
- A 12 month inquiry into the National Access Regime commenced in October 2012. The Regime is intended to promote the economically efficient operation of, use of and investment in the infrastructure by which services are provided, thereby promoting effective competition in upstream and downstream markets. The inquiry is to include examination of the rationale, role and objectives of the National Access Regime (the Regime), and Australia's overall framework of access regulation; assess the performance of the Regime in meeting its rationale

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



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and objectives; and report on whether the implementation of the Regime adequately ensures that its economic efficiency objectives are met.

- In June 2013, a 15 month inquiry into Australia's system of civil dispute resolution commenced, with a focus on constraining costs and promoting access to justice and equality before the law. As part of its inquiry, the Commission is to examine the factors contributing to the current costs of securing legal representation and accessing justice services, the social and economic impacts of these costs, and whether they are proportionate to the issues in dispute. It is also required to report on options for achieving lower-cost dispute resolution, including through alternative dispute resolution, the use of technology and expedited procedures. The inquiry will also provide advice on data collection across the justice system to enable better monitoring of costs and evaluation of measures aimed at keeping costs down.
- The Commission was also requested in June 2013 to undertake two inquiries into whether safeguard action is warranted against imports of processed tomato products and processed fruit products. The inquiries are to be undertaken in accordance with the World Trade Organization (WTO) safeguard investigation procedures published in the Gazette of S297 of 25 June 1998, as amended by GN39 of 5 October 2005. The Commission is to provide accelerated reports to the Government as soon as possible but not later than 3 months from commissioning date and final reports within 6 months of receipt of the references.

Research studies commissioned by the Government were a further significant component of the Commission's workload in 2012-13. During the year the Commission finalised three research studies commenced in the previous year:

- regulation benchmarking studies on the role of local government as a regulator and on regulatory impact assessments
- a study on economic relations between Australia and New Zealand (jointly conducted with the New Zealand Productivity Commission).

Requests were also received during the year to conduct research studies on major project development assessment processes, regulator engagement with small business and geographic labour mobility.

Further information on public inquiries and commissioned research studies undertaken during 2012-13 and government responses to the Commission's reports is provided in appendices B and D.

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## 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 four major outputs: the Report on Government Services; the Overcoming Indigenous Disadvantage: Key Indicators report; the Indigenous Expenditure Report; and the collation of performance data for the COAG Reform Council under the Intergovernmental Agreement on Federal Financial Relations.

### *Report on Government Services*

The *Report on Government Services 2013* was the eighteenth in this series. The Report provides comparative performance information on 15 government service delivery areas that contribute to the wellbeing of Australians — spanning child care, education and training, health, justice, community services, emergency management, housing and homelessness. The services covered in the 2013 Report collectively account for \$172 billion of government recurrent expenditure, equivalent to about 11.8 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 has a focus on improved reporting over time. The 2013 Report included new indicators and measures for several service areas, as well as improvements in the timeliness, comparability, quality and scope of reporting.

### *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, July 2009 and August 2011. The then Prime Minister acknowledged the importance of the report when issuing revised terms of reference in March 2009:

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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.

In early 2012, an external consultant was appointed to undertake a review of the OID report. The final review report and the Steering Committee's proposed responses to the review can be found on the PC website. Following external consultations on the proposed responses, directions for the next OID report, anticipated to be released in late 2014.

### *National Agreement reporting*

In November 2008, COAG endorsed the 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. COAG has requested that the PC and Steering Committee provide the CRC with the performance information needed to undertake its assessment, analytical and reporting responsibilities.

Reports cover performance under Agreements on education, skills, healthcare, affordable housing, disability and Indigenous reform; and most recently the National Partnership Agreement on 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. The Indigenous Expenditure Report contributes to governments' understanding of the levels and patterns of expenditure on services that relate to Indigenous Australians, and provides policy makers with an additional tool for targeting policies to Close the Gap in Indigenous disadvantage.

The 2012 Indigenous Expenditure Report, the second in the series, was released on 4 September 2012. It provides estimates of expenditure for each level of government, Australia as a whole, and by state and territory, for 2008-09 and 2010-11. The next Indigenous Expenditure Report is planned for release in 2014.

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## **Competitive neutrality complaints activities**

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 one formal written complaint in 2012-13. Details of the complaint and action taken by the AGCNCO are provided in appendix C.

The Office also provides informal advice on, and assists agencies in, implementing competitive neutrality requirements. During 2012-13, 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 informal and formal consultations with Australian Government departments, business, community and environmental groups, union bodies and academics.

In 2012-13 the Commission's supporting research program covered a number of important economic and social topics. It included work on income distribution, forms of work, efficiency and effectiveness and sustainability. Several papers connected to the Commission's statutory annual reporting requirements were also published.

Several reports on productivity, including a Productivity Update and several research notes, were also published.

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Further information on the Commission's supporting research activities and publications in 2012-13 is provided in appendix E. This also details the 59 presentations given by the Chair, 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 E.1).

The Commission also briefed 25 international delegations and visitors during 2012-13, with a focus on the Commission's role and activities and related policy matters (table E.2). In 2013-14, the Commission will continue to maintain linkages with policy agencies in other countries, with a focus on APEC, ASEAN and East Asia Summit member economies.

## **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 2012-13, the Commission met with more than 200 organisations or groups, held 11 days of public hearings, and received around 258 submissions.

The Commission has adapted its processes to suit the variety of research studies commissioned by the Government. Participants at public hearings related to studies do not receive the same protection as at Inquiry hearings. As a consequence, few such hearings are held. This policy will be reviewed in future. Nevertheless, 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 180 submissions to these studies in 2012-13, with many visit programs and targeted roundtable discussions to engage with key participant groups on the issues of concern to them.

The nature of consultative and transparent processes in the past year is illustrated in box 2.1. 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 2.1 Participative and transparent processes**

The Commission seeks to maximise public participation in, and transparency of, its inquiries and commissioned research studies. In undertaking its study on regulator engagement with small business, an initial circular advertising the study was distributed to several hundred government representatives, industry organisations and individuals. The study was advertised widely, and an Issues Paper in January 2013 was used to assist interested parties in preparing their submissions.

A survey was also undertaken of approximately 400 national and state government regulators. The Commission partnered with the Council of Small Business of Australia (COSBOA) to canvas views of small businesses on regulator engagement practices.

To facilitate this, COSBOA developed a number of targeted questions for their website to which they invited small business responses. An aggregation of these responses was then provided to the Commission as part of COSBOA's submission to this study. The study is ongoing, with a final report expected in September 2013.

## **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 access wider sources of expertise in its inquiries and research. From time to time the Commission also utilises specialist external expertise.

The Commission held a roundtable on *Better Indigenous Policies: The Role of Evaluation* on 22–23 October 2012. Participants included representatives of Indigenous organisations, government officials, academics, consultants and representatives of non-government organisations. The roundtable considered both the particular challenges in Indigenous policy evaluation and the actions needed to ensure that evidence gained from evaluations can be embedded in policy-making and program evaluation. Papers were initially made available on the Commission's website and the proceedings were subsequently published in April 2013.

A one-day productivity conference (conducted jointly with the Australian Bureau of Statistics) was also held in Canberra on 20 November 2012. The conference provided an overview of productivity trends and a range of productivity measurement, analytical and policy issues.

There is an active seminar program involving external experts on a range of policy issues relevant to the Commission's 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. In the current year there were 18 seminars provided by external experts on a range

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of topics, including alcohol taxation, environmental impact assessment, the distribution of income in Australia and patent systems.

There is also a Visiting Researcher Program which 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 2012-13 Dean Parham, Dr Larry Cook, Richard Clarke and Ian Gibbs were Visiting Researchers at the Commission.

### **Research collaboration**

The Commission continued to participate in collaborative research projects with academic institutions and other organisations in 2012-13. The projects involved:

- the University of Queensland, Australian Bureau of Statistics, the Department of Planning and Community Development (Victoria), and several government departments in Queensland to examine the utilisation of social science research in policy development and program review
- 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 board, providing direction to the project along with 29 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:

- A number of Commissioners are members of various advisory boards and committees and non-profit organisations, including the Institute of Public Administration Australia (IPAA) (Victoria), the Board of Good Shepherd Youth and Family Services, the Brotherhood of St Laurence, Dairy Australia, the

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Australian Rural Leadership Foundation, AirServices Australia and the Australian Institute of Company Directors.

- Members of staff have recently 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. Members of staff have also been recently involved in APEC capacity building activities that assist developing economies in furthering their structural reform plans.
- The Commission also received funding from the Australian Government to undertake a visit program for government officials in APEC economies across 2012-13. As part of the program, visits to Australia were conducted during the year by officials from Malaysia, Vietnam, Indonesia and China.

### **e Government and the PC's communications approach**

As a significant research and advisory body, and with statutory responsibilities related to communicating the results of its work, the Commission actively uses web-based tools to allow interested parties to access our information.

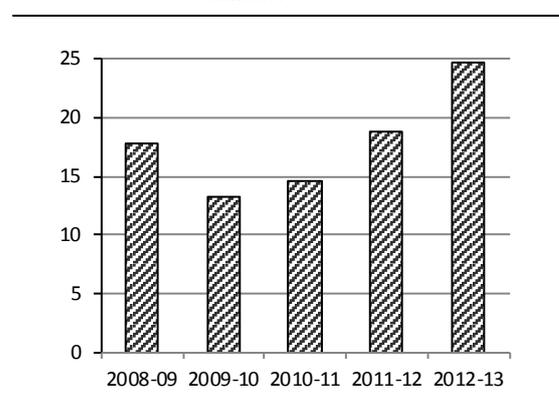
An email alert service currently notifies more than 1500 recipients of significant events, including report releases and the commencement and completion of inquiries. Additional email alerts are also sent to Commonwealth parliamentarians, the media, government departments and contacts in the states and territories.

The Commission now has a Twitter account to advise of forthcoming activities.

We will be undertaking an examination of ways to improve knowledge of our reports in the course of 2013, having considered the subject closely at the Commissioners' most recent strategy session.

The Commission's website received over 24 million file requests from external users in 2012-13 (figure 2.2). There were more than 207 000 external requests for the index pages of inquiries and government-commissioned research studies current in 2012-13. There was heavy interest in default superannuation (30 192 requests), climate change adaptation (29 395 requests) and electricity (40 349 requests). Other heavily accessed web pages were for the

**Figure 2.2 Website hits**  
Million



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2012 and 2013 *Report on Government Services* (25 459 and 22 793 requests, respectively) and the 2011 *Overcoming Indigenous Disadvantage: Key Indicators* report (15 141 requests).

Speeches by the Commission's current and former Chair attracted more than 12 000 requests over the year.

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 2011 inquiry on disability care and support received over 48 000 requests; and the Commission's 2005 study of the health workforce received over 7 600 requests.

## **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. Box 2.2 provides some examples of support for the Commission's contribution.

In addition to its rolling program of surveys, less formal sources of feedback on the public record are also monitored. 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.

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

## **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.

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## Box 2.2 **Respect for Commission activities: some recent examples**

In welcoming a joint scoping study by the Australian and New Zealand Productivity Commissions in December 2012, the then Prime Minister, the Hon. Julia Gillard stated:

... this report from the two Productivity Commissions presents the most important opportunity for many years to shape the next steps in trans-Tasman economic integration in this the Asian Century. The report provides a thoughtful analysis of our economic relationship and considers the scope for its future development to create jobs and boost productivity for both Australia and New Zealand. (Gillard and Key 2012)

The Council of Australian Governments identified several further areas where Commission projects would assist it with its work, including a benchmarking study on the regulatory role of local government, and a benchmarking study into regulatory impact analysis processes.

Commission inquiry reports on the NDIS and gambling are regularly cited across the spectrum of commentary as pioneering examples of policy analysis, years after publication.

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 large scale infrastructure projects; the development of standards for the comprehensive release of models and data upon which policy assessments are made; agricultural productivity; the cost effectiveness of illicit drug law enforcement; productivity and competitiveness; and the costs of illicit drug use.

The Human Rights Commission released a report in February 2013 that called for a Commission inquiry into valuing unpaid care work.

In April 2013, the Victorian Water Minister, the Hon. Peter Walsh, and the Commonwealth Water Minister, the Hon. Tony Burke, supported calls for the Commission to conduct an independent review of water management programs in the Murray-Darling Basin.

Details are provided in appendix B.

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 B.)

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The Commission also takes note of the comments of its critics, as contributions to improving its approach to analysis and design.

## **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.

- The Australian Government released a final response to the Commission's 2011 report on rural research and development corporations in July 2012 (Australian Government 2012a). The Government agreed or agreed in principle to thirteen of the Commission's recommendations. These included recommendations on public funding principles, industry requests for marketing, evaluations and performance reviews, specific maximum levy rates, government matching funding, annual monitoring and reporting, and government representation on Research and Development Corporation (RDC) Boards. The Government did not agree with four of the Commission's recommendations, including those on halving the cap on government matching contributions to RDCs in conjunction with the introduction of a new subsidy above the cap, and on the possible establishment of a new RDC, Rural Research Australia.
- On 5 December 2012, the Australian Government released a comprehensive response to the Commission's report on Identifying and Evaluating Regulatory Reforms (Australian Government 2012b). The Government accepted or accepted in principle nine of the report's recommendations and noted a further three recommendations.
- On 29 January 2013, the then Minister for Trade and Competitiveness, the Hon. Craig Emerson, released the Government response to the Commission's report on export credit arrangements (Australian Government 2013c). The response provided agreement to four of the Commission's recommendations, agreed in part to twelve recommendations, and noted a further six. The Government agreed with a Commission recommendation to remove the 'market gap' mandate from its Statement of Expectations with the Export Finance and Investment Corporation (EFIC). It also agreed with a recommendation to amend the EFIC Act to allow the Minister to direct the Board of EFIC to return capital to the Australian Government when the Minister determines that EFIC has surplus capital, after seeking the views of the Treasurer and the Minister for Finance. The Government agreed to amend the EFIC Act to exclude Australian Public

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Service personnel from the EFIC Board. Agreement was also provided that the Minister should table EFIC's corporate plan in Parliament (and, in due course, the Act should be amended to require this), and that EFIC should provide quarterly progress reports to the Minister against its corporate plan. The Government did not agree with a recommendation that the Minister should direct EFIC to cease providing financial services for transactions that are not based on an export contract. It also did not agree with several recommendations involving legislative amendments in respect of the Commercial Account.

- In March 2013, the Australian Government released its response to the Commission's report on climate change adaptation (Australian Government 2013b). Of the twelve recommendations made by the Commission, the Government agreed with three, provided in-principle agreement with seven, and noted a further two. The Government agreed on the Commission's recommendations regarding information provision, not requiring insurers to offer mandatory flood cover, and not subsidising insurance. The Government agreed in principle to recommendations on assessing reform options, improving the flexibility of the economy, listing local governments' regulatory roles, clarifying local government legal liability, adopting flexible land-use planning, considering climate change in the building code and phasing out state insurance taxes. Recommendations to review ways to manage risks to existing settlements, and on disaster mitigation and recovery, were noted. While the Government provided broad agreement with the report, it did raise concerns regarding the Commission's treatment of 'cognitive barriers' to adaptation.

- On 30 May 2013, the Parliamentary Secretary for Climate Change, Industry and Innovation, the Hon. Yvette D'Ath MP, introduced the Intellectual Property Laws Amendment Bill 2013 into Parliament. In announcing the introduction of the Bill, the Parliamentary Secretary stated:

The announcement follows the release of the Productivity Commission's Report on Compulsory Licensing of Patents which found there was uncertainty around the scope of current Crown use provisions, particularly in the context of healthcare. (D'Ath 2013)

The aim of the Bill was to clarify the operation of Crown use provisions in the *Patents Act 1990*, in line with recommendations made in the Commission's report on the Compulsory Licensing of Patents.

- On 26 June 2013 the Australian Government released its response to the Commission's report on electricity network regulatory frameworks (Australian Government 2013d). The response covered recommendations on a broad range of topics, including benchmarking, interconnectors, network ownership, demand management, reliability standards, governance of National Electricity Market institutions, consumer involvement and timeliness in decision making and rule changes. While generally supportive of the Commission's approach, the

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response also emphasised the reform work currently underway across jurisdictions, and stated that:

The Commission's report is a contribution to a long running and broad energy market reform program, which has been substantially redefined during the course and conclusion of this inquiry... This reform agenda addresses many of the issues raised in the Commission's Final Report. However, the success of this package is contingent on all jurisdictions delivering on the reform milestones agreed by COAG to ensure the benefits of reform flow through to consumers as quickly as possible. (Australian Government 2013d, p. i).

The response supported 13 of the Commission's recommendations, provided in principle support for a further 21 recommendations, and supported in part 12 recommendations. A further 15 recommendations were noted and 2 recommendations were not supported.

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

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).

## **Contribution to parliamentary debate**

Commission inquiry and research reports continue to be used frequently by parliamentarians in debates and questions. During the 2012-13 sittings of the *Federal Parliament*:

- 145 Members and 66 Senators referred to 55 different Commission reports or inquiries, or to the Commission's role in policy processes
- in over three-quarters of the mentions in debates and questions, federal parliamentarians cited the Commission as an authoritative source. Less than 1 per cent of mentions were of a critical nature
- Commission inquiries and reports which featured most prominently were those on disability care and support and aged care.

In addition, there were 89 mentions of the Commission and its work in the Hansard proceedings of *federal parliamentary committees* in 2012-13. The Commission was

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mentioned in the proceedings of 25 different committees, most prominently in proceedings of the Senate Standing Committee on Community Affairs, the Senate Standing Committee on Economics, and the House of Representatives Standing Committee on Economics. The most frequent mentions were to the reports on aged care and disability care and support.

Ten parliamentary committees drew on a range of Commission inquiry and research outputs in their own reports during the year. The 27 recent parliamentary committee reports listed in table B.1 referred to 17 different Commission outputs.

Research material provided to parliamentarians during 2012-13 by the Parliamentary Library — such as Bills Digests and Research Briefs — referred to 18 different Commission outputs (table B.2). These included 14 inquiry and other commissioned research reports and several research papers. 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 2012-13 sittings of the eight state and territory parliaments:

- 117 members referred to 35 different Commission publications or inquiries, the Report on Government Services, or to the Commission's role in policy processes
- in 67 per cent of the 182 mentions in debates and questions, State and Territory parliamentarians cited the Commission as an authoritative source, while less than 0.5 per cent of mentions 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 disability care and support and gambling also featuring prominently.

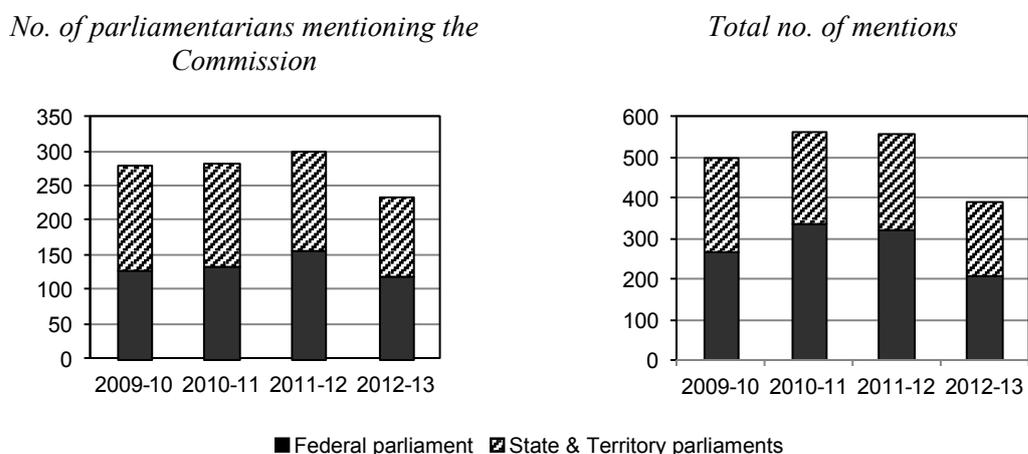
Recent trends in mentions of the Commission in federal, state and territory parliamentary proceedings are shown in figure 2.3.

### **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 electricity markets, disability care and support, trade and assistance and climate change adaptation

**Figure 2.3 Mentions of the Commission in Australian parliaments, 2009-10 to 2012-13**



- 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, the Reserve Bank of Australia, the ACCC, state governments, federal parliamentary committees, the Parliamentary Library, the ABS, the AIHW and others of a diverse range of Commission supporting research outputs
- 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 E.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, Western Australia and the ACT, and visits to other jurisdictions are scheduled throughout 2013-14. The Commission also responded to requests for briefings to visiting officials and delegations from Argentina, New Zealand, the United States, Iraq, India, Colombia, South Korea, Greece, Indonesia, Cambodia, Japan, the Philippines, the WTO and the IMF (table E.2).

A further indicator of public interest in the Commission’s work, and its potential influence, is the extent of media coverage. During 2012-13, 37 editorials in 5 major metropolitan newspapers drew on the findings or recommendations in 14 different Commission reports, or referred to the Commission’s role in assisting public policy making. The Commission’s reports on climate change adaptation, disability care and support and electricity network regulation featured prominently.

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The Commission rated an average of 160 mentions a month in electronic media and an average of 240 mentions a month in print media in 2012-13. The Commission's inquiries into disability and electricity networks 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 2012-13 is reported in appendix A. The audited financial statements for the Commission are contained in appendix G.

In response to suggestions by the Senate Standing Committee on Economics (2008), details of appearances at Senate Estimates during the year are provided in Appendix B. In response to a further suggestion by the Senate Standing Committee on Economics (2013), detail of salary ranges by classification are included in Appendix A.

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

- the 2014 *Productivity Update*, which will include reporting on recent trends in productivity performance
- *Trade & Assistance Review 2012-13*, which will report on trade policy and assistance developments and contain the Commission's latest estimates of assistance to Australian industry.



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# APPENDICES



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# A Management and accountability

**This appendix provides information on the management and accountability of the Commission, as well as additional information in accordance with parliamentary requirements for departmental annual reports.**

## Overview

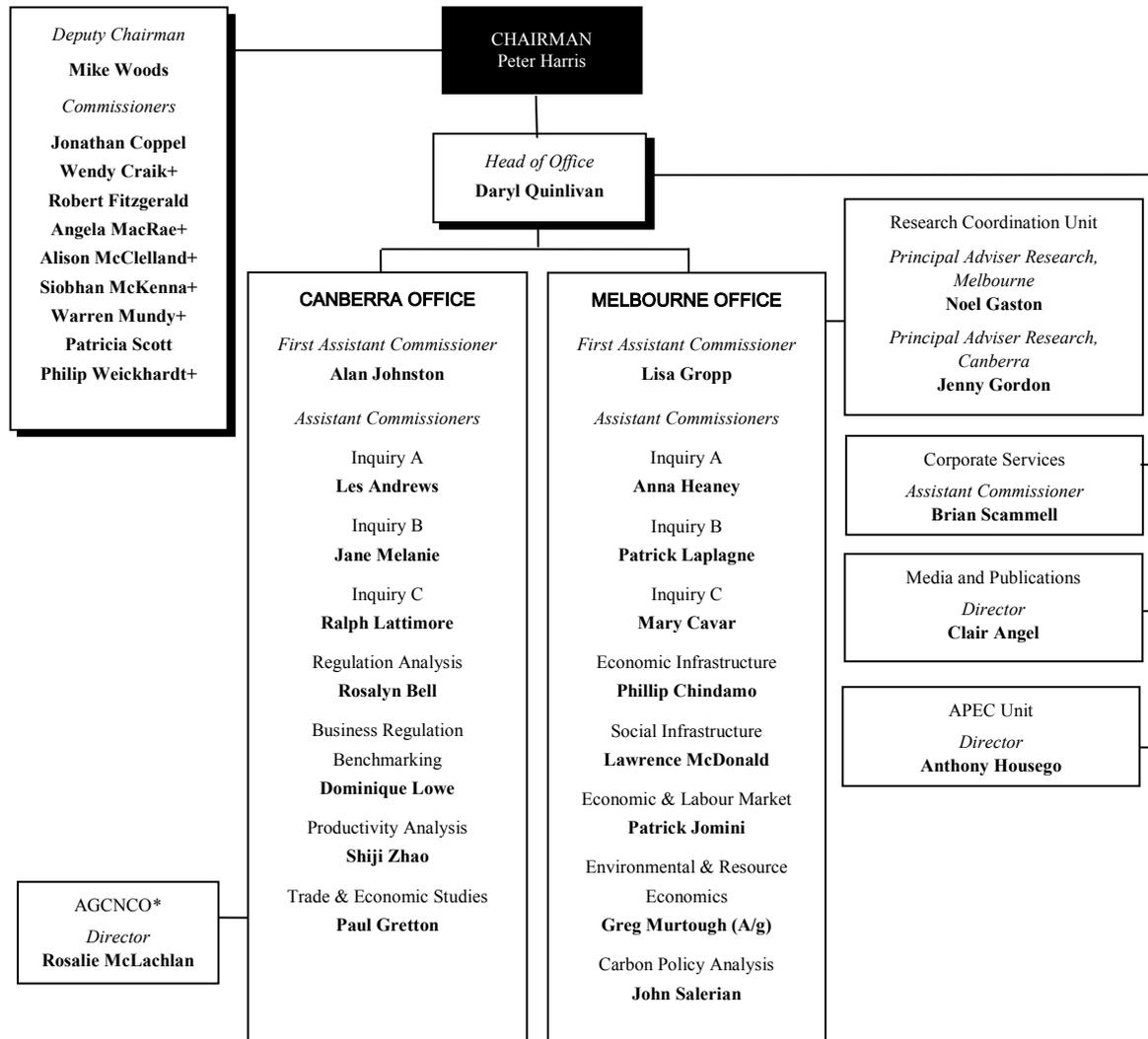
### Role and structure

The Commission — established under the *Productivity Commission Act 1998* — is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Information about the Commission’s objectives is contained in the overview to chapter 2. Further information on the Commission’s role is available on its website and in its first annual report (PC 1998a, pp. 25–36).

The Commission comprises its Chairman and between four and 11 other Commissioners, appointed by the Governor-General for periods of up to five years. Associate Commissioners can be appointed by the Assistant Treasurer for terms of up to five years or for the duration of specific inquiries. The work of the Commission is assisted by employees who are employed under the *Public Service Act 1999*.

The Commission’s structure and senior staff at 30 June 2013 are shown in figure A.1.

**Figure A.1 Productivity Commission structure and senior staff, 30 June 2013**



+ Part-time Commissioners

\* Australian Government Competitive Neutrality Complaints Office  
Commissioners Fitzgerald and McKenna on long-term leave of absence.

## Commissioners

At 30 June 2013 there were eleven members of the Commission, including the Chairman. Six Commissioners held part-time appointments. Two Commissioners are on long-term leave of absence to undertake other senior appointments.

Mr Gary Banks AO retired from the position of Chairman of the Commission with effect from 31 December 2012.

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Mr Peter Harris AO was appointed Chairman of the Commission for a period of five years from 11 March 2013. Mr Harris had previously served as Secretary of the Commonwealth Department of Broadband, Communications and the Digital Economy, and the Victorian Government agencies responsible for Sustainability and the Environment; Primary Industries; and Public Transport.

He had previously worked for the Ansett-Air New Zealand aviation group and as a consultant on transport policy. He also worked in Canada on exchange with the Privy Council Office (1993-94). His career with the government started in 1976 with the Department of Overseas Trade and included periods with the Treasury; Finance; the Prime Minister's Department and Transport; and he worked for two years in the Prime Minister's Office on secondment from the Prime Minister's Department as a member of then Prime Minister Bob Hawke's personal staff.

In 2013, Mr Harris was made an Officer of the Order of Australia 'for distinguished service to public administration through leadership and policy reform roles in the areas of telecommunications, the environment, primary industry and transport'.

Biographical information on all Commissioners is available on the Commission's website and their terms of appointment are listed in table A1.1 of Attachment A1.

### **Associate Commissioners**

At 30 June 2013, one Associate Commissioner appointment was current (table A1.2 of Attachment A1).

On 21 June 2013 Mr Paul Barratt AO was appointed on a part-time basis for the duration of the inquiries into whether safeguard action is warranted against imports of processed fruit and tomato products on Australian producers. Mr Barratt, an independent consultant and Chair of Australia 21 Limited, has more than 40 years' experience in policy advising and international negotiations. His past appointments include Secretary of Defence and of Primary Industries and Energy; Deputy Secretary of the Department of Foreign Affairs and Trade; Special Trade Representative to North Asia; and Executive Director of the Business Council of Australia.

Associate Commissioner appointments completed during 2012-13 are listed in table A1.3 of Attachment A1.

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## Staff

The average staffing level during 2012-13 was 199 compared to 197 in 2011-12.

The Commission recruited 16 staff during the year, including four through its graduate recruitment program. Staff turnover was approximately 14 per cent.

Statistical information on staffing is provided in tables A1.3 to A1.5 of Attachment A1.

## Outcome objective and resources

The financial and staffing resources devoted to the achievement of the Government's desired outcome objective for the Commission — outlined on page 65 — are summarised in table A.1. An agency resource statement for 2012-13 is included at Attachment A2. Performance information in respect of this outcome is provided in appendix B.

Table A.1 **Financial and staffing resources summary**

	<i>Budget *</i> 2012-13 \$'000	<i>Actual</i> 2012-13 \$'000	<i>Variation</i> \$'000
<b>Outcome 1: 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</b>	(a)	(b)	(a-b)
<b>Program 1.1</b>			
Departmental Expenses			
Ordinary annual services (Appropriation Bill No. 1)	37 429	35 300	2 129
Revenues from independent sources (Section 31)	1 071	1 071	–
Expenses not requiring appropriation in the Budget year	1 010	1 010	–
<b>Total for Outcome 1</b>	<b>39 510</b>	<b>37 381</b>	<b>2 129</b>
	2011-12	2012-13	
Average Staffing Level (number)	197	199	

\* Full-year budget, including any subsequent adjustment made to the 2012-13 Budget.

## Governance

The Commission's governance arrangements are designed to achieve efficient, effective and ethical use of resources in the delivery of the Commission's mandated outcome objective. The arrangements are also designed to ensure compliance with

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legislative and other external requirements in regard to administrative and financial management practices.

In keeping with good governance principles, the Commission's governance arrangements encompass:

- establishing clear responsibilities for decision-making and the undertaking of mandated activities
- ensuring accountability through the monitoring of progress, and compliance with legislative and other requirements, of mandated activities
- underpinning these arrangements through the promotion of a risk management and ethical behaviour culture.

### **Key responsibilities**

The Commission's Chairman is responsible for the overall management and governance of the Commission.

He is assisted in these tasks by the Head of Office and a Management Committee which addresses matters of strategic direction, organisational development, policies and practices, monitoring of performance and resource allocation. Management Committee comprises the Chairman (as chair), Deputy Chairman, the Head of Office, the Melbourne and Canberra First Assistant Commissioners and the Assistant Commissioner, Corporate Services. It meets monthly, or more frequently as necessary.

The Research Committee is responsible for approving research proposals and ensuring that these are consistent with the Commission's objectives and current research themes. More generally, it also promotes the effectiveness and efficiency of the Commission's research program. It meets monthly and comprises the Chairman (as chair), the Deputy Chairman, the Head of Office, Melbourne and Canberra Principal Advisers Research, the Melbourne and Canberra First Assistant Commissioners and two Assistant Commissioners.

Commissioners have a role in strategic coordination and are responsible for the conduct of the individual inquiries, studies or other activities to which they are assigned by the Chairman. Responsibility extends to the quality and timeliness aspects of the assigned project or activity.

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## **Accountability**

Management Committee's monitoring of the Commission is aided through the provision of regular reports covering staffing, expenditure, staff development and other operational matters.

Monthly Commission meetings — also attended by senior staff — are used to discuss and monitor progress across the Commission's four mandated outputs. Specifically:

- presiding Commissioners on government-commissioned projects report monthly on significant issues and progress against key milestones
- the Research Committee reports on a quarterly basis on the status and future directions of the research program
- the activities of the Steering Committee for the Review of Government Service Provision, chaired by the Chairman of the Commission, are reported on a quarterly basis
- a Commissioner designated with responsibility for competitive neutrality issues reports to the Commission on a quarterly basis
- the Head of Office provides Commissioners with a monthly update on key management issues.

The Audit Committee is a further source of accountability through its periodic review of particular aspects of the Commission's operations. Its membership comprises a chairperson (currently a Commissioner), two senior members of staff and an external member. The Commission's contracted internal auditors generally attend meetings, as does a representative of the Australian National Audit Office on an 'as required' basis. The Audit Committee meets at least four times a year.

## **Risk management and fraud control**

Risk assessments are undertaken within a formal risk management model specified in the Commission's risk management plan. The plan is reviewed annually by senior management and the Audit Committee.

The Commission has prepared a fraud risk assessment and fraud control plan and has in place appropriate fraud prevention, detection, investigation reporting and data collection procedures and processes that meet the specific needs of the Commission and comply with the Commonwealth Fraud Control Guidelines. The Chair's certification in respect of fraud control is at Attachment A3.

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Information about the Commission's risk management procedures is available to all employees. It is brought to the attention of new employees on commencement, and awareness raising for existing employees is undertaken periodically.

## **Ethical standards**

The Commission has adopted a range of measures to promote ethical standards.

- It has embraced the Australian Public Service (APS) Values and Code of Conduct. The Commission's various employment agreements contain a commitment from employees to at all times conduct themselves in a manner consistent with the Values and Code.
- All employees have been provided with a copy of the Values and Code, while new employees receive a copy as part of their induction.
- Senior managers in particular are encouraged to set an example through the ethical and prudent use of Commonwealth resources.

The Commission has developed a number of specific policies relating to ethical standards which have regard to its own operational context. These deal with matters such as email and internet use, harassment and bullying, discrimination, fraud, disclosure of information, and managing conflicts of interest. The policies are readily available to all employees. Staff awareness and training sessions are offered periodically on these topics.

## **External and internal scrutiny**

The Commission's processes, which provide for transparency and community participation in its work, are a key means of promoting external scrutiny. These processes are outlined in some detail in the corporate chapters of the Commission's annual reports.

External scrutiny is also promoted through the Commission's extensive reporting, in various publications, of different aspects of its work. This annual report is an example and, in particular, appendix B provides an account of the Commission's performance.

Both the Commission and the Australian Government Competitive Neutrality Complaints Office (which has separate functions although located within the Commission) have service charters.

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Performance against the charters is monitored on an exceptions basis — that is, by complaints to designated senior managers. No complaints were received during 2012-13 in respect of either charter.

The Auditor-General issued an unqualified independent audit report on the Commission's 2012-13 financial statements.

References to particular reports of the Commission made by federal parliamentary committees during the year are detailed in appendix B. Details of the Commission's appearances at Senate Estimates hearings in 2012-13 are included in appendix B.

Internal scrutiny occurs through an ongoing review program of policies, procedures and activities for effectiveness, efficiency and public accountability. Particular matters addressed during the year included the following.

*Website and publications:* The Commission's website continues to provide a valuable source of information about the current work of the Commission, its publications and other activities. During 2012-13 the Commission continued to enhance the structure, presentation and accessibility of website content.

*Information technology:* Maintenance, review and upgrade of Commission ICT infrastructure has continued. In 2012-13, this included the introduction of new software for referencing and editing; piloting electronic records management software; upgrade of the storage area network; and continuing work on disaster recovery preparedness.

*Human Resources:* During 2012-13, the Commission continued a system of performance appraisal for staff and senior executives, intended to enhance individual development and improve organisational performance. The program of internal seminars on a range of topical economic, social and environmental issues continued, while the Commission's staff development program, based around a series of 'staff development days' every 18-24 months, focused on improving communication skills and understanding user perspectives on the Commission's work. A mentoring program for Executive Level 1 staff commenced in 2012-13, and a review of the Commission's plan regarding gender balance was completed.

*Shared services:* During 2012-13, the Commission provided ICT infrastructure and support, and payroll system and services, to another small co-located Commonwealth agency in Melbourne, the Tertiary Education Quality and Standards Agency, on a cost recovery basis.

*Internal Audit:* The Commission engages an accounting firm to undertake a program of internal audits. Internal audits conducted in 2012-13 focused on

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commitments to spend public money and asset management. No control or compliance deficiencies involving unacceptable risk were identified.

*Audit Committee:* The Audit Committee also plays an important internal scrutiny role. The Committee's efforts during the year related mainly to:

- oversight of the Commission's internal audit program
- consideration of the annual financial statements and associated issues
- scrutiny of the Commission's risk management, fraud control and business continuity plans
- reviews of relevant ANAO reports.

## **Management of human resources**

The Commission's human resources management operates within the context of relevant legislation, government policy and Commission-developed policy. Day-to-day management is devolved to senior managers within a broad framework agreed by Management Committee. The Committee routinely monitors the performance of people management functions through a range of feedback mechanisms, including through standing reports to its monthly meetings.

### **Workforce planning**

Management Committee plays the key role for ensuring alignment between the Commission's resources and its future capability requirements.

The Commission regularly considers a range of workforce planning issues associated with the attraction, retention and development of staff. In particular, the Commission has been actively monitoring the age profile of its workforce and is seeking to retain mature aged employees by making available flexible working arrangements.

The Commission reviews its graduate recruitment process annually with a view to increasing the awareness of graduating university students of the Commission as a potential employer. Four new employees were engaged during 2012-13 through the Commission's graduate recruitment program.

An important input to workforce planning is the information obtained from departing employees through exit questionnaires and, in many cases, personal interviews on exit. Such information is considered regularly by Management

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Committee and applied to a variety of initiatives including conditions of service, developing employment agreements, and employee retention strategies.

## **Remuneration and employment conditions**

Remuneration for the Chairman and Commissioners is set directly by the Remuneration Tribunal in determinations that are publicly available on the Tribunal's website.

The Commission's 21 Senior Executive Service (SES) employees are employed under individual determinations under the *Public Service Act 1999*. SES remuneration is set in the context of public and private sector benchmarks, including those contained in the APS Remuneration Report published by the Australian Public Service Commission.

Information on Commissioners and SES employees total remuneration is set out in Note 12 to the Financial Statements (appendix G).

APS salary ranges for non-SES staff which correspond to the Commission's broadbanded classifications are shown in the enterprise agreement which is available on the Commission's website.

Table A1.6 provides details of salary ranges at 30 June 2013.

The Commission's non-SES employees are covered by an enterprise agreement which has a nominal expiry date of 30 June 2014. The levels of remuneration and terms and conditions of employment of approximately 170 employees are covered by this agreement. Six individual flexibility agreements are in place

The enterprise agreement provides for improvements in remuneration and other conditions, while also providing a basis for productivity improvements. The agreement includes a number of provisions aimed at providing work/life balance and a satisfying and rewarding environment for employees.

## **Performance management and pay**

All employees participate in the Commission's performance management scheme. The scheme seeks to:

- clarify the understanding by individual employees of their work tasks, their responsibilities and the performance standards expected (through performance agreements)

- 
- provide feedback on performance and improve communication between supervisors and their staff (through performance appraisals)
  - provide a basis for determining salary advancement
  - identify learning and development needs
  - assist in identifying and managing underperformance.

Ahead of each appraisal round — which occurs at six-monthly intervals — training is conducted for new employees and new managers to ensure employee readiness for the appraisal round.

Under the Commission’s enterprise agreement, all salary increases are conditional upon employees being rated fully effective in their performance appraisal. Performance bonuses are no longer a feature of remuneration for Commission employees.

### **Consultative arrangements**

The key employee consultative mechanism is the Productivity Commission Consultative Committee (PCCC). The PCCC comprises five elected employee representatives, a CPSU representative, and four management representatives. The PCCC met on several occasions during the year to discuss a range of workplace issues.

In addition, direct consultation between management and employees occurs on a regular basis, including through the Chairman’s ‘all staff’ meetings, a range of topic-specific committees, and regular team and branch meetings.

### **Learning and development**

The Commission encourages employees to undertake learning and development in an appropriate mix of four core competencies:

- management and leadership
- conceptual and analytical skills
- time and work management
- oral and written communication.

The need for learning and development can be employee identified (including through individual development plans settled with supervisors as part of

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performance appraisals), be supervisor-encouraged or directed, or reflect organisation-wide initiatives.

Recorded expenditure on learning and development in 2012-13 was 2 per cent of the annual salary budget. This expenditure related to:

- 138 employees who undertook a total of 480 days of specific training and development
- 111 employees attended general development programs
- 10 employees who received studies assistance in the form of paid leave and assistance with fees in the pursuit of tertiary qualifications.

The above activities are in addition to one-on-one coaching to address particular development needs and extensive on-the-job training within the Commission. A program of internal seminars on a range of topical economic, social and environmental issues also contributes to staff development.

### **Workplace health & safety**

A Workplace Health and Safety (WHS) Committee oversees the Commission's workplace health and safety program. Committee membership includes health and safety representatives and staff observers from both offices. The Committee met three times during 2012-13.

No formal WHS investigations were conducted during the year and there were no notifiable incidents. No notices under Part 10 of the *Work Health Safety Act 2011* were given to the Commission during 2012-13.

Training is provided for employees who have specific WHS related responsibilities.

WHS activities during the year included:

- Commission-funded flu vaccinations (take up rate in 2012-13 was around 50 per cent)
- ergonomic work station assessments (58 were completed, including 27 as part of the induction program).
- regular workplace hazard inspections conducted by members of the WHS Committee
- desk calendars promoting emergency evacuation and threat procedures
- the opportunity for employees to complete working hours questionnaires
- workplace health-related seminars.

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An indicator of the effectiveness of the Commission's WHS programs is Comcare's workers' compensation rate. The Commission's rate for 2012-13 was 0.08 per cent of payroll, compared to 1.77 per cent for all agencies combined. There was one claim for injury in 2012-13.

### **Employee Assistance Program**

The Commission offers its employees independent, confidential and professional counselling, consultation and training assistance for work-related or personal issues. Fourteen employees or their families utilised the service in 2012-13.

### **Workplace diversity**

The Commission continues to foster a culture that is supportive of employees achieving their potential and which values employee diversity. This is facilitated through the commitment — in the Commission's enterprise agreement, equity and diversity plan and related policies — to promote workplace diversity.

### **National Disability Strategy**

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-08, reporting on the employer role was transferred to the Australian Public Service Commission's State of the Service Report and the APS Statistical Bulletin. These reports are available at [www.apsc.gov.au](http://www.apsc.gov.au). From 2010-11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy 2010-2020 which sets out a ten year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. The first of these reports will be available in 2014, and will be available at [www.fahcsia.gov.au](http://www.fahcsia.gov.au).

The Social Inclusion Measurement and Reporting Strategy agreed by the Government in December 2009 will also include some reporting on disability

---

matters in its regular How Australia is Faring report and, if appropriate, in strategic change indicators in agency Annual Reports. More detail on social inclusion matters can be found at [www.socialinclusion.gov.au](http://www.socialinclusion.gov.au).

## **Financial performance**

The Productivity Commission is a prescribed agency under the *Financial Management and Accountability Act 1997*.

Revenue from government decreased in 2012-13 to \$37.4 million (\$38.0 million in 2011-12). Revenue from other sources increased in 2012-13 to \$1.1 million (\$0.5 million in 2011-12).

Operating expenses increased in 2012-13 to \$37.4 million (\$36.6 million in 2011-12). The major expenses in 2012-13 were \$29.2 million in respect of employee expenses, \$7.1 million relating to supplier payments, and \$1.1 million in asset depreciation, amortisation and related expenses.

The operating result for 2012-13 was a \$1.2 million surplus (\$1.9 million in 2011-12).

Table A.1 provides a summary of financial and staffing resources. The agency resource statement is provided at Attachment A2. The audited financial statements for 2012-13 are shown in appendix G.

## **Purchasing**

The Commission applies the Commonwealth Procurement Guidelines. The Commission's purchases of goods and services during 2012-13 were consistent with the 'value-for-money' principle underpinning those guidelines.

The Commission did not enter into any contracts or standing offers that were exempt from being published on AusTender. Contracts of \$100 000 or more let during 2012-13 included a provision for the Auditor-General to have access to the contractor's premises if required.

## **Consultancies**

The Commission continued to utilise the services of a range of consultants during the year where it was cost-effective to do so. Many of the consultancies are for the

purpose of refereeing particular pieces of work and are generally of relatively low cost.

During 2012-13, fifteen new consultancy contracts were entered into involving total actual expenditure of \$39 890. There were no ongoing consultancy contracts active during the 2012-13 year.

Table A.2 provides information on expenditure on consultants in the five years to 2012-13.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website [www.tenders.gov.au](http://www.tenders.gov.au).

**Table A.2 Expenditure on consultancies, 2008-09 to 2012-13**

	2008-09	2009-10	2010-11	2011-12	2012-13
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenditure	124	49	36	153	40

## Legal services

Total expenditure on legal services in 2012-13 was \$14 561. Further details are published on the Commission's website, in accordance with *Legal Services Directions 2005* issued by the Attorney-General.

## Ecologically sustainable development (ESD)

Under the *Environment Protection and Biodiversity Conservation Act 1999*, agencies are required — through their annual reports — to report on ESD and environmental matters. This requirement is part of the Government's program to improve progress in implementing ESD.

The Commission operates under statutory guidelines, one of which is to have regard to the need 'to ensure that industry develops in a way that is ecologically sustainable' (section 8(1)(i) of the *Productivity Commission Act 1998*). This legislation also prescribes that at least one member of the Commission 'must have extensive skills and experience in matters relating to the principles of ecologically sustainable development and environmental conservation' (section 26(3)).

There are five aspects against which agencies are required to report.

---

The first relates to how an agency's actions during the reporting period accorded with the principles of ESD.

Reflecting its statutory guidelines, ESD principles are integral to the Commission's analytical frameworks, their weighting depending on the particular inquiry or research topic. Examples of Commission projects where different aspects of ESD have arisen have been provided in past annual reports. Recent Commission reports on *Barriers to effective climate change adaptation* and *Mineral and energy resource exploration* are further examples of work undertaken requiring integration of complex economic, social and environmental considerations.

The second reporting requirement asks how the Government's outcome for the Commission contributes to ESD. As stated elsewhere in this report, the outcome nominated for the 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.

In pursuing this outcome, the Commission is required to take into account impacts on the community as a whole — these may be economic, social and/or environmental. The transparency of its processes provides the opportunity for anyone with an interest in an inquiry to make their views known and to have these considered. Consequently, a broad range of views and circumstances are taken into account, in keeping with the ESD principle that 'decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equity considerations'.

The third to fifth reporting requirements relate to the impact of the Commission's internal operations on the environment. The Commission is a relatively small, largely office-based, organisation in rented accommodation, and the actions able to be taken are somewhat limited. However, the Commission adopts measures aimed at the efficient management of waste and minimising energy consumption.

In order to manage its impacts on the environment in a systematic and ongoing way, the Commission maintains an Environmental Management System. The Environmental Management System contains the Commission's environmental policy, an environmental management program to address identified impacts, and provision for monitoring and reporting on performance.

During 2012-13, the Commission recorded energy usage of 7 237 MJ/person/annum (2011-12: 7 243 MJ/person/annum) against the Government's energy target of 7 500 MJ/person/annum for tenant light and power usage in office buildings.

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The Commission did not enter into any new lease agreements for office accommodation during 2012-13. The building in which the Commission has its Melbourne office has a 5 star NABERS Energy rating. In Canberra, the Commission's lease contains a Green Lease Schedule targeting a 4.5 star NABERS Energy tenancy rating.

The Commission provides a small number of vehicles under the Executive Vehicle Scheme. The average Green Vehicle Guide rating for these vehicles is 12.8.

## **Publications and submissions**

Appendix F lists all the Commission's publications in 2012-13.

## **Freedom of information**

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements.

## **Advertising and market research**

The Commission does not undertake 'advertising campaigns'. However, the Commission publicises its government-commissioned inquiries and studies so that any individual, firm or organisation with an interest has an opportunity to present their views. Publicity takes the form of newspaper advertisements, regular distribution of *PC Update*, press releases, an email alert service, notification on the Commission's website and distribution of Commission circulars.

A total of \$49 330 was paid for advertising (including recruitment advertising) in 2012-13 to Adcorp Australia Ltd.

## **Annual reporting requirements and aids to access**

Information contained in this annual report is provided in accordance with Schedule 2 Part 4 of the *Work Health and Safety Act 2001*, section 49 of the *Financial Management and Accountability Act 1997* and Part II of the *Freedom of Information Act 1982*.

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The entire report is provided in accordance with section 10 of the *Productivity Commission Act 1998*.

The annual report has also been prepared in accordance with parliamentary requirements for departmental annual reports issued by the Department of the Prime Minister and Cabinet. A compliance index is provided in Attachment A4.

The contact officer for inquiries or comments concerning this report is:

Assistant Commissioner  
Corporate Services Branch  
Productivity Commission  
Locked Bag 2  
Collins Street East Post Office  
MELBOURNE VIC 8003  
Telephone: (03) 9653 2251  
Facsimile: (03) 9653 2304

The Commission's internet home page is at <http://www.pc.gov.au>

This annual report can be found at the above internet address. Inquiries about any Commission publication can be made to:

Director  
Media and Publications  
Productivity Commission  
GPO Box 1428  
CANBERRA CITY ACT 2601  
Telephone: (02) 6240 3239  
Facsimile: (02) 6240 3300

# Attachment A1

## Commissioner and employee statistics

Table A1.1 **Chair and Commissioners, 30 June 2013**

	<i>Current period of appointment</i>	
	<i>From</i>	<i>To</i>
Mr P Harris AO (Chairman)	11 Mar 2013	10 Mar 2018
Mr M C Woods (Deputy Chairman)	17 Apr 2011	16 Apr 2016
Mr J Coppel (M)	28 Jul 2011	27 Jul 2016
Dr W Craik AM (C) (p/t)	4 Jun 2009	3 Jun 2014
Mr R Fitzgerald AM (C)	27 Jan 2009	26 Jan 2014
Ms A McClelland (M) (p/t)	8 Dec 2010	7 Dec 2015
Ms A MacRae (M) (p/t)	8 Dec 2010	7 Dec 2015
Ms S McKenna (M) (p/t)	4 Jun 2009	3 Jun 2014
Dr W Mundy (C) (p/t)	8 Dec 2010	7 Dec 2015
Ms P Scott (C)	7 Sep 2009	6 Sep 2014
Mr P Weickhardt (M) (p/t)	4 Dec 2008	3 Dec 2013

(C) denotes Canberra based, (M) denotes Melbourne based and (p/t) denotes part-time.

Table A1.2 **Part-time Associate Commissioners, 30 June 2013**

	<i>Inquiry/Study</i>	<i>Period of appointment<sup>a</sup></i>	
		<i>From</i>	<i>To</i>
Mr P Barratt AO	Import of Processed Fruit and Tomato Products – Safeguards Inquiries	21 Jun 2013	20 Jan 2014

<sup>a</sup> Engagement ceases at the conclusion of the inquiry/study or the period of appointment, whichever is the earlier.

**Table A1.3 Part-time Associate Commissioners completing appointments during 2012-13**

	<i>Inquiry/Study</i>	<i>Period of appointment</i>	
		<i>From</i>	<i>To</i>
Mr B Wonder PSM	Business Regulation Benchmarking: Role of Local Government as Regulator	20 Jul 2011	19 Aug 2012
Dr N Byron	Climate Change Adaptation	8 Sep 2011	7 Oct 2012
Mr P Costello	Default Superannuation Funds in Modern Awards	9 Jan 2012	8 Nov 2012
Mr P Coghlan	Regulatory Impact Analysis: Benchmarking	24 Feb 2012	23 Dec 2012

**Table A1.4 Employees by location and gender, 30 June 2013**

<i>Level</i>	<i>Melbourne</i>			<i>Canberra</i>			<i>Total</i>		
	<i>Female</i>	<i>Male</i>	<i>Total</i>	<i>Female</i>	<i>Male</i>	<i>Total</i>	<i>Female</i>	<i>Male</i>	<i>Total</i>
SES Band 3	0	0	0	0	1	1	0	1	1
SES Band 2	1	1	2	1	1	2	2	2	4
SES Band 1	2	7	9	4	5	9	6	12	18
Staff Level 4	9	14	23	6	13	19	15	27	42
Staff Level 3	22	16	38	3	9	12	25	25	50
Staff Level 2	17	16	33	7	8	15	24	24	48
Staff Level 1	8	5	13	8	2	10	16	7	23
<b>Total<sup>b</sup></b>	<b>59</b>	<b>59</b>	<b>118</b>	<b>29</b>	<b>39</b>	<b>68</b>	<b>88</b>	<b>98</b>	<b>186</b>
Corresponding totals at 30 June 2012 <sup>a</sup>	63	62	125	34	42	76	97	104	201

<sup>a</sup> Totals exclude 9 inoperative employees at 30 June 2012. <sup>b</sup> Totals exclude 9 inoperative employees at 30 June 2013; 2013 totals include one acting SES Band 1, two Staff Level 4's, and one Staff Level 2.

**Table A1.5 Employees by employment status and gender, 30 June 2013**

Level	Female			Male			Total		
	F/t	P/t	Total	F/t	P/t	Total	F/t	P/t	Total
SES Band 3	0	0	0	1	0	1	1	0	1
SES Band 2	2	0	2	2	0	2	4	0	4
SES Band 1	6	0	6	12	0	12	18	0	18
Staff Level 4	14	1	15	24	3	27	38	4	42
Staff Level 3	19	6	25	24	1	25	43	7	50
Staff Level 2	20	4	24	23	1	24	43	5	48
Staff Level 1	10	6	16	7	0	7	17	6	23
<b>Total<sup>b</sup></b>	<b>71</b>	<b>17</b>	<b>88</b>	<b>93</b>	<b>5</b>	<b>98</b>	<b>164</b>	<b>22</b>	<b>186</b>
Corresponding totals at 30 June 2012 <sup>a</sup>	72	25	97	96	8	104	168	33	201

<sup>a</sup> Totals exclude 9 inoperative employees at 30 June 2012. <sup>b</sup> Totals exclude 9 inoperative employees at 30 June 2013; 2012 totals also include one acting SES Band 1, two Staff Level 4's, and one Staff Level 2.

**Table A1.6 Salary ranges, 30 June 2013 <sup>a</sup>**

Level	Minimum (\$)	Maximum(\$) <sup>b</sup>
SES Band 2	203,496	264,222
SES Band 1	158,883	217,419
Staff Level 4 <sup>c</sup>	113,936	142,929
Staff Level 3	93,968	118,999
Staff Level 2	68,089	90,515
Staff Level 1	47,094	74,185

<sup>a</sup> The major non-salary benefits superannuation, which is not included in the table. During 2012-13 the Commission employed one SES Band 3 employee not included in this table. <sup>b</sup> The maximum shown above in respect of SES employees includes a vehicle allowance. The above salary ranges for SL1 to SL4 are those available under the Commission's current Enterprise Agreement. Due to 'grandfathering' of provisions from a previous agreement, some employees continue to receive a higher salary – the maximum salaries actually paid at each level are: SL1 \$74 185; SL2 \$98 807; SL3 \$125 413; SL4 \$167 085. <sup>c</sup> Under the Commission's Enterprise Agreement, progression to a maximum of \$150 648 is available at the SL4 level in limited circumstances (not through incremental advancement)

**Table A1.7 Employees by level and reason for separation, 2012-13**

<i>Level</i>	<i>Promotion</i>	<i>Transfer</i>	<i>Resignation</i>	<i>Invalidity Retirement</i>	<i>RPA</i>	<i>Other</i>	<i>Total</i>
SES	0	0	1	0	0	0	1
Staff Level 4	0	1	2	0	1	0	4
Staff Level 3	0	3	3	0	0	0	6
Staff Level 2	0	1	4	0	3	0	8
Staff Level 1	0	0	5	0	3	0	8
<b>Total</b>	<b>0</b>	<b>5</b>	<b>15</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>27</b>
Corresponding totals at 30 June 2012	0	5	11	1	0	1	18

<sup>a</sup> Redundancy Package

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## Attachment A2

### Agency Resource Statement — 2012-13

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	<i>Actual Available Appropriation 2012-13</i>	<i>Payments Made 2012-13</i>	<i>Balance Remaining</i>
	\$'000	\$'000	\$'000
	(a)	(b)	(a-b)
<b>Ordinary Annual Services</b>			
<b>Departmental appropriation<sup>1</sup></b>			
Prior year Departmental appropriation	20 310		
Departmental appropriation 2012-13	37 709	34 448	
<b>S.31 Relevant agency receipts<sup>2</sup></b>	1 927	1 927	
<b>Total ordinary annual services</b>	<u>59 946</u>	<u>36 375</u>	<u>23 571</u>
<b>Total Resourcing and Payments</b>	<u><b>59 946</b></u>	<u><b>36 375</b></u>	<u><b>23 571</b></u>

<sup>1</sup> Appropriation Bill (No.1) 2012-13 and Appropriation Bill (No.3) 20123.

<sup>2</sup> Receipts received under section 31 of the *Financial Management and Accountability Act 1997*.

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## Attachment A3



Australian Government  
Productivity Commission

Locked Bag 2  
Collins Street East  
Melbourne VIC 8003  
Telephone 03 9653 2100  
Facsimile 03 9653 2199  
[www.pc.gov.au](http://www.pc.gov.au)

22 August 2013

*From the Chairman's Office*

### Annual Report 2012-13 – Fraud Control Certification

In accordance with Guideline 5.8 of the *Commonwealth Fraud Control Guidelines 2011* (the Guidelines), issued pursuant to Regulation 16A of the *Financial Management and Accountability Regulations 1997*, I hereby certify that I am satisfied that the Productivity Commission has:

- prepared fraud risk assessments and fraud control plans;
- in place appropriate fraud prevention, detection and investigation and reporting and data collection procedures and processes that meet the specific needs of the Commission and comply with the Guidelines; and
- taken all reasonable measures to minimise the incidence of fraud in the Commission and to investigate and recover the proceeds of fraud against the Commission.

A handwritten signature in black ink, appearing to read 'Peter Harris AO', with a long, sweeping flourish extending to the right.

Peter Harris AO

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## Attachment A4

### Compliance index

#### *Compliance with the Joint Committee of Public Accounts and Audit requirements for annual reports*

	<i>page</i>
Letter of transmittal	III
Table of contents	VII
Index	235
Glossary	XI
Contact officer	56
Internet addresses	56
Review	
Review by the Chair and Commissioners	17-35
Role and functions of the Commission	39
Organisational structure	40
Outcome and outputs structure	66
Where outcome and output structures differ from PBS format	n.a.
Report on performance	
Performance in relation to outputs and contribution to outcomes	17-35, appendix B
Actual performance in relation to performance targets set out in PBS/PAES	appendix B
Narrative discussion and analysis of performance	chapter 2
Trend information	chapter 2, appendix B
Performance against service charter customer service standards	45
Discussion of financial performance	52
Discussion of significant changes from the prior year, from budget or anticipated to have a significant impact on future operations	42
Agency resource statement and summary resources table by outcomes	42
Management accountability	
Corporate governance practices	42-45
Senior management committees and their roles	43, 46
Risk management and fraud control measures	44
Fraud control certificate	62
Ethical standards	45
Determination of remuneration for SES employees	48
External scrutiny	
Significant developments	45-47

	<i>page</i>
Judicial decisions and decisions of administrative tribunals	n.a.
Reports by Auditor-General, a parliamentary committee or the Commonwealth Ombudsman	45-47
Appearances at Senate Estimates hearings	80
Management of human resources	
Effectiveness in managing and developing human resources	47-52
Workforce planning, staff turnover and retention	42
Learning and development	49-50
Enterprise agreements	48
Statistics on staffing	58-59
Performance pay	48-49
Assets management	appendix G
Purchasing	52
Consultants	52
Legal services	53
Absence of provisions in CTC contracts allowing access by the Auditor-General	n.a.
Contracts exempt from the AusTender	n.a.
Performance in implementing the Commonwealth Disability Strategy	51
Financial statements	appendix G
Other information	
Workplace health and safety	50-51
Information Publication Scheme statement	55
Advertising and market research	55
ESD and environmental performance	53-55
<i>Carer Recognition Act 2010</i> – care agency reporting	n.a.
Discretionary grants	n.a.
Disability reporting	51-52

### ***Compliance with the Productivity Commission Act***

The annual report is also prepared in accordance with the general provisions of s.10 of the Productivity Commission Act, as well as the following specific requirements:

s.10(1) Commission operations	chapter 2 and appendix B
s.10(2) matters referred to the Commission	appendix D
s.10(4) competitive neutrality complaints	appendix C

In association with this annual report, the Commission is preparing two companion publications:

- *Productivity Update 2014*
- *Trade & Assistance Review 2012-13*

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## B Program performance

**The Productivity Commission's designated role is to contribute to well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards. It performs this role by undertaking independent and transparent analysis from a community-wide perspective.**

**The Commission's four main activity streams are public inquiries and other government-commissioned projects, performance reporting and other services to government bodies, competitive neutrality complaints activities, and supporting research and statutory annual reporting. This appendix sets out some broad considerations in assessing the Commission's performance and reports various indicators of overall performance, as well as the Commission's main activities and related performance in 2012-13.**

### **Objectives for performance assessment**

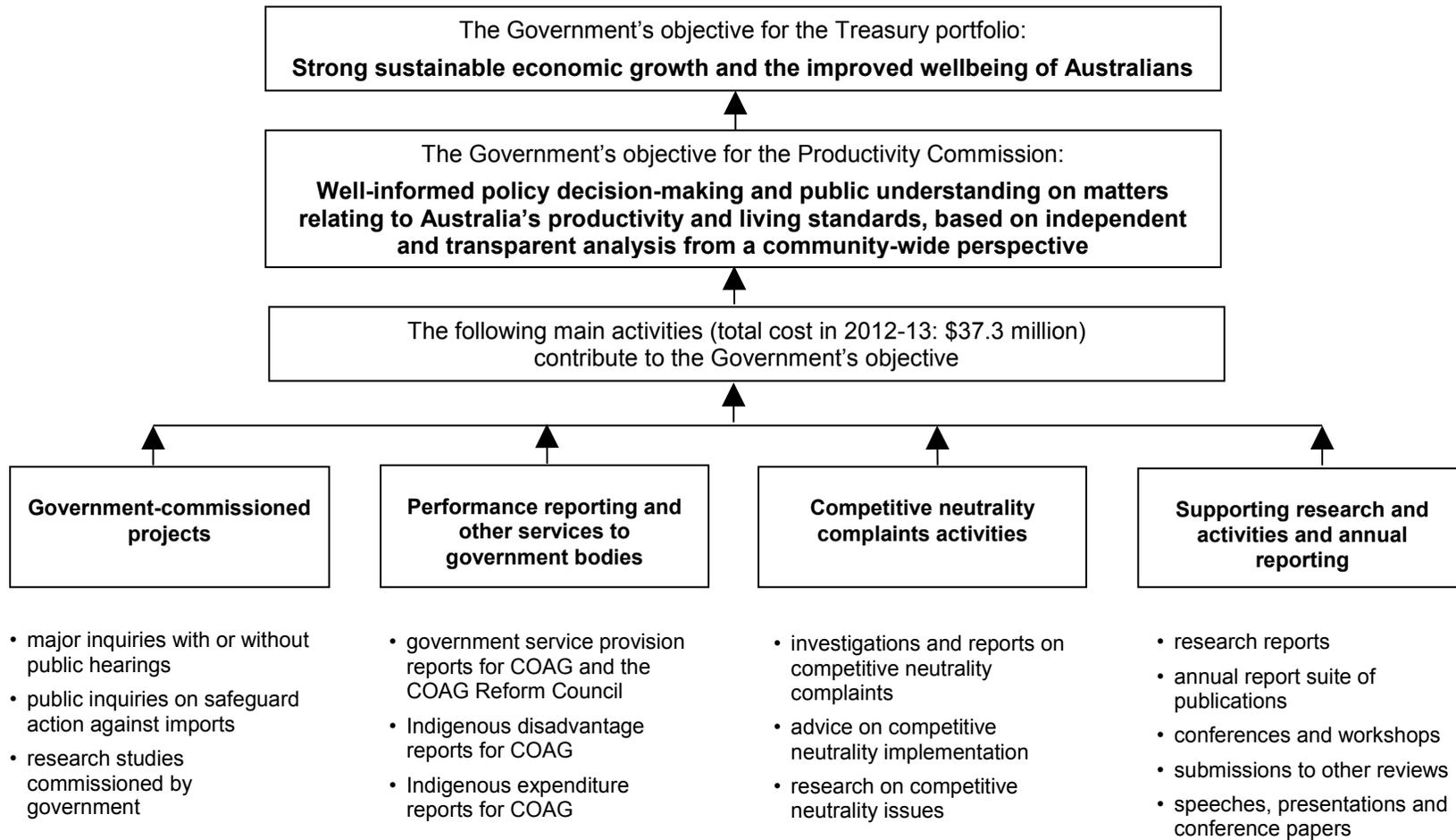
The Government's outcome objective against which the Commission's overall performance is to be assessed is:

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.

The Commission's inquiry, research, advisory and associated activities derive from its statutory functions. These can be classified into four main activity areas:

- government-commissioned projects
- performance reporting and other services to government bodies
- competitive neutrality complaints activities
- supporting research and activities and statutory annual reporting (figure B.1).

Figure B.1 Productivity Commission main activities 2012-13



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The Commission's overall objective is embedded within the Government's broader outcome objective for the Treasury portfolio as a whole:

to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations.

## **Commission activities**

All of the Commission's activities are directed at meeting the policy needs of government, or otherwise fulfilling statutory requirements. Main activities are:

- undertaking individual projects specifically commissioned by government, including commissioned projects of an inquiry or research nature relating to regulatory issues
- meeting standing research, investigatory and advisory functions nominated by government
- research undertaken in response to emerging needs for policy-relevant information and enhanced analytical frameworks, and for building the Commission's capacity to respond to the policy priorities of government.

### *Commissioned projects*

Government-commissioned projects have individual terms of reference.

*Public inquiries* involve extensive public consultation — including through visits, submissions and public hearings — to help identify the relevant issues, assist in the analysis of information and the development of policy options, and to obtain feedback on the Commission's analysis and proposed recommendations. Depending on the length of the reporting period, the Commission typically issues either a full draft report or a 'Position Paper' as part of this consultation process before finalising its report to government. Inquiry reports are tabled in Parliament.

*Commissioned research studies* are generally concerned with assembling policy-relevant information or analysis of policy options for tasks that are often narrower in scope, or required in shorter timeframes, than inquiries. They typically involve less public interaction than inquiries and no formal public hearings. The Commission adapts its inquiry processes in conducting these studies, although it aims to expose its preliminary findings in workshops or roundtable discussions. Commissioned research studies are released at a time agreed with the Government.

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### *Standing functions*

The Government has established the following standing research, investigatory and advisory functions for the Commission:

- secretariat and research services for the Steering Committee for the Review of Government Service Provision. As an integral part of the national performance reporting system, the Steering Committee informs Australians about services provided by governments and enables performance comparisons across and within jurisdictions (SCRGSP Terms of Reference). The Steering Committee is required to:
  - measure and publish annually data on the equity, efficiency and cost effectiveness of government services through the *Report on Government Services*
  - produce and publish the regular *Overcoming Indigenous Disadvantage* report
  - collate and prepare performance data under the Intergovernmental Agreement on Federal Financial Relations, in support of the analytical role of the COAG Reform Council and the broader national performance reporting system
  - initiate research and report annually on improvements and innovation in service provision, having regard to the COAG Reform Council’s task of highlighting examples of good practice and perform any other related tasks referred to it by COAG
  - produce the two-yearly *Indigenous Expenditure Report*, contributing to better policy making and improved outcomes for Indigenous Australians by reporting on expenditure on Indigenous-specific and mainstream services that support Indigenous Australians
- reports and related activities necessary to meet the Commission’s statutory obligation to investigate any complaint that an Australian Government business is not conducted in accordance with competitive neutrality arrangements
- statutory annual reporting on assistance and regulation benefitting different industries (published as the *Trade & Assistance Review*) and on industry and productivity performance generally (encompassed in the *Productivity Update*).

Government-commissioned projects and the Commission’s standing functions have priority in the deployment of its staffing and financial resources.

### *Supporting research*

The Commission also has a statutory mandate to conduct a program of research to support its annual reporting and other responsibilities, and to promote community

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awareness and understanding of productivity and regulatory issues. This program of supporting research is guided by government statements on policy priorities and parliamentary debate and committee work, and draws on consultation with Australian Government departments and agencies, peak employer and union bodies, and community and environmental groups. The views of State and Territory governments and academics are also sought.

There is a hierarchy of publications and other activities within the Commission's program of supporting research.

- The suite of three annual reporting publications, as well as Commission Research Papers and submissions to other inquiries or reviews established by government or parliament, present the Commission's views on policy issues.
- Published research by Commission staff aims to provide the information and analysis needed to inform policy discussion within government, parliaments and the broader community. Such research contains no recommendations, but can provide 'building blocks' for policy development.
- Publication of the proceedings of conferences and workshops sponsored by the Commission, and of consultants' reports to the Commission, is also intended to promote and inform discussion on important policy issues. As with staff publications, the views expressed need not reflect the views of the Commission.

### **Interpreting performance indicators for the Commission**

The Commission has sought to demonstrate its effectiveness through a number of performance indicators that apply across its main activities (box B.1). Subsequent sections of this appendix report against these indicators for each of its main activities. Feedback surveys, use of Commission work in the parliamentary process, and some general indicators of effectiveness are also reported below.

A number of factors need to be taken into account when interpreting indicators of the Commission's performance.

First, the effectiveness with which the Commission's activities contribute to the achievement of its designated outcome can be difficult to assess and is often subjective. The Commission is but one source of policy advice. Furthermore, feedback on the Commission's performance often can be of an informal kind, which is hard to document and collate systematically. Where views are documented, they can reflect the interests of those affected by the Commission's findings or advice.

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**Box B.1 Performance indicators for the Commission**

<i>Main areas of activity</i>	<i>Key indicators</i>
Government-commissioned projects	Projects, reports and associated activities:
Performance reporting and other services to government bodies	<ul style="list-style-type: none"><li>• of a high quality</li></ul>
Competitive neutrality complaints activities	<ul style="list-style-type: none"><li>• useful to stakeholders</li></ul>
Supporting research and activities and statutory annual reporting	<ul style="list-style-type: none"><li>• timely</li></ul>

Second, the Commission's work program typically covers contentious or complex policy issues (or both), where the Commission's impact should properly be assessed over the medium to long term. Examples from the past year demonstrate the 'shelf life' of a variety of Commission reports in policy formulation and debate (box B.2).

Third, the Commission has to give priority to certain projects and allocates its resources accordingly. The quantum and scope of the Commission's work are, to a significant extent, determined externally. This includes the number and timing of government-commissioned projects and competitive neutrality complaints. Similarly, its secretariat and research work for the Review of Government Service Provision is guided by a Steering Committee. As a consequence, the number and timeliness of projects from the Commission's supporting research program, for example, need to be interpreted in the light of the demands of its public inquiry workload and other standing commitments.

Fourth, the Commission has no control over the release of its final inquiry reports (unlike its draft reports), although the *Productivity Commission Act 1998* requires that the Minister table inquiry reports in Parliament within 25 sitting days of receipt. The time taken for decisions on such reports, and the nature of the decisions themselves, are matters for the Government. However, the release of detailed responses to Commission findings and recommendations, as standard administrative practice, has enhanced the transparency of government decision making on Commission reports and permitted better assessment of their contribution to public policy making. Extended delays in the tabling of inquiry reports and decisions on them can compound the difficulties of assessing the Commission's contribution to outcomes. All inquiry reports in 2012-13 were tabled within the statutory period.

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## Box B.2 Longer-term influence

Some recent examples indicate ways in which Commission inquiry and other reports from past years continue to be influential.

- The Commission's 2005 research paper on trends in agriculture continued to be used widely throughout the year. For example, the Victorian Parliament's Education and Training Committee used the paper during an inquiry into agricultural education and training in that state; and the Murray-Darling Basin Authority drew on the paper in a report on proposed alterations to the Basin plan (MDBA 2012).
- The Australian Competition and Consumer Commission released a report on container stevedoring monitoring in November 2012 (ACCC 2012) that drew on Commission work from 1998 and 2003 on waterfront benchmarking.
- Past Commission reports on a range of subjects also continued to inform the work of the Parliamentary Library. For example: the Commission's 2008 study on chemicals and plastics regulation was used in a Bills Digest on agricultural and veterinary chemical regulation; and a 2001 inquiry report on cost recovery by government agencies was used in a Bills Digest on superannuation legislation amendments.
- A report by the Advisory Council on Intellectual Property (2012), which looked at the role of intellectual property in innovation processes, drew on the Commission's 2007 report on science and innovation.
- The 2005 Commission inquiry into the health workforce was used in a series of papers by the Australian Medical Association on workforce programs (AMA 2012); and by the Senate Community Affairs Reference Committee in a report on factors affecting the supply of health services and medical professionals in rural areas.
- Discussions on the estimated cost of an outbreak of foot and mouth disease in Australia continued to draw on the Commission's estimates from 2006. This included, for example, North Queensland Register (2013), Edmonstone (2013), Bettles (2013b) and Guy (2013).
- The Commission's 2006 inquiry report on waste management also continued to be widely used throughout the year. For example, analysis of the costs and benefits of plastic bag bans was discussed in Crawley (2013) and Cater (2013). The report was also used by the Victorian Government within its Waste and Resource Recovery Policy (2013).
- There was continued use through the year of the Commission's 2000 report on broadcasting. This included use by the Senate Environment and Communications Legislation Committee when considering the media reform bills package in March 2013, and use by the Parliamentary Library in a background note on media reviews.
- A 2001 Commission Research Paper on structural adjustment was drawn on in detail by an inquiry into the Taxi Industry in Victoria (Taxi Industry Inquiry 2012).

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While research studies commissioned by the Government do not have to be tabled in Parliament, these reports are generally released soon after completion. Where available, government use of and responses to commissioned research studies are reported in appendix D.

This appendix reviews some broad based indicators of Commission performance before reporting on each of its main activities against the indicators agreed under the Government's performance framework.

## **Feedback surveys**

The Commission has a program of surveys and other initiatives to gather external feedback on its activities. These surveys complement 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.

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, the Report on Government Services and the quality and usefulness of the Commission's supporting research program.

### *Other feedback*

As noted in chapter 2, the Commission continued to provide feedback opportunities through email, online surveys, and survey forms included in publications or issued to participants in the Commission's public hearings. Comments are passed to management and authors for consideration. Much of the feedback received through these mechanisms this year was positive.

## **Commission projects and the work of the Federal Parliament**

The inquiries and reports which figured most prominently in federal parliamentary debate during 2012-13 were the Commission's reports on disability care and support and aged care. As noted in chapter 2, 145 Members and 66 Senators referred to 55 different Commission reports or inquiries, or to the Commission's role in policy processes, during the 2012-13 parliamentary proceedings.

Commission projects are also used in parliamentary work in a variety of other ways.

- Ten parliamentary committees drew on a range of Commission inquiry and research outputs in their own reports during the year. The 27 recent

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parliamentary committee reports listed in table B.1 referred to 17 different Commission outputs.

- Research material provided to parliamentarians during 2012-13 by the Parliamentary Library — such as Bills Digests and Research Briefs — referred to 18 different Commission outputs (table B.2). These included 14 inquiry and other commissioned research reports and several research papers..
- People appearing at the hearings of parliamentary committees in 2012-13 referred to Commission outputs in more than 45 different topic areas.

### *Use of Commission Reports by the Audit Office*

Performance audits undertaken by the Australian National Audit Office (ANAO) inform the Parliament and the Government about public sector administration and performance. During 2012-13 the ANAO drew on analysis and recommendations in the Commission's 2007 report on *Public Support for Science and Innovation* in Audit Report No. 37, *Administration of Grants from the Education Investment Fund*. The ANAO drew on findings in the *Report on Government Services 2013* in Audit Report No. 31 on *Implementation of the National Partnership Agreement on Homelessness*, and in Audit Report No. 12 on *Administration of Commonwealth Responsibilities under the National Partnership Agreement on Preventive Health*. The Commission's 2011 report *Caring for Older Australians* was drawn upon in Audit Report No. 10, *Managing Aged Care Complaints*. The ANAO also drew on the 2011 *Overcoming Indigenous Disadvantage: Key Indicators* report and the 2012 *Indigenous Expenditure Report* in Audit Report No. 8, *Australian Government Coordination Arrangements for Indigenous Programs* and Audit Report No. 55, *Indigenous Employment: The Australian Government's Contribution to the Australian Employment Covenant*. Audit Report No. 3 on *The Design and Conduct of the First Application Round for the Regional Development Australia Fund* drew on the Commission's 2010 report on the *Contribution of the Not-For-Profit Sector*.

**Table B.1 Use of Commission publications in parliamentary committee reports in 2012-13**

<i>Parliamentary Committee and report</i>	<i>Commission output used</i>
House of Representatives Standing Committee on Economics, <i>Report on the Exposure Draft of the Australian Charities and Not-for-profits Commission Bills 2012</i> , August 2012	Research Report, <i>Economic Contribution of the Not For Profit Sector</i> , February 2010
Senate Community Affairs References Committee, <i>The factors affecting the supply of health services and medical professionals in rural areas</i> , August 2012	Research Report, <i>Australia's Health Workforce</i> , December 2005
Senate Community Affairs Legislation Committee, <i>Australian Charities and Not-for-profits Commission Bill 2012 [Provisions]; Australian Charities and Not-for-profits Commission (Consequential and Transitional) Bill 2012 [Provisions]; Tax Laws Amendment (Special Conditions for Not-for-profit Concessions) Bill 2012 [Provisions]</i> , September 2012	Research Report, <i>Economic Contribution of the Not For Profit Sector</i> , February 2010
Parliamentary Joint Committee on Corporations and Financial Services, <i>Inquiry into the Australian Charities and Not-for-profits Commission Bill 2012; the Australian Charities and Not-for-profits Commission (Consequential and Transitional) Bill 2012; and the Tax Laws Amendment (Special Conditions for Not-for-profit Concessions) Bill 2012</i> , September 2012	Research Report, <i>Economic Contribution of the Not For Profit Sector</i> , February 2010
House of Representatives Standing Committee on Education and Employment, <i>Workplace Bullying: We just want it to stop</i> , October 2012	Research Report, <i>Benchmarking Business Regulation: Occupational Health and Safety</i> , March 2010
Senate Community Affairs References Committee, <i>Palliative care in Australia</i> , October 2012	Inquiry Report, <i>Caring for Older Australians</i> , August 2011
Parliamentary Joint Committee on Corporations and Financial Services, <i>Inquiry into the Superannuation Legislation Amendment (Further MySuper and Transparency Measures) Bill 2012</i> , October 2012	Inquiry Report, <i>Default Superannuation Funds in Modern Awards</i> , October 2012
Parliamentary Joint Select Committee on Gambling Reform, <i>Third report: The prevention and treatment of problem gambling</i> , October 2012	Inquiry Report, <i>Gambling</i> , February 2010
House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry, <i>Netting the benefits: Inquiry into the Role of Science for the Future of Fisheries and Aquaculture</i> , November 2012	Commission Research Paper, <i>Assessing Environmental Regulatory Arrangements for Aquaculture</i> , February 2004
Senate Community Affairs Legislation Committee, <i>National Gambling Reform Bill 2012 [Provisions], National Gambling Reform (Related Matters) Bill (No. 1) 2012 [Provisions], National Gambling Reform (Related Matters) Bill (No. 2) 2012 [Provisions]</i> , November 2012	Inquiry Report, <i>Gambling</i> , February 2010

Senate Education, Employment and Workplace Relations References Committee, <i>Fair Work Amendment Bill 2012 [Provisions]</i> , November 2012	Inquiry Report, <i>Default Superannuation Funds in Modern Awards</i> , October 2012
Parliamentary Joint Select Committee on Gambling Reform, <i>Fourth report: National Gambling Reform Bill 2012 and related bills</i> , November 2012	Inquiry Report, <i>Gambling</i> , February 2010
House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry, <i>Advisory Report on the Agricultural and Veterinary Chemicals Legislation Amendment Bill 2012</i> , February 2013	Research Report, <i>Chemicals and Plastics Regulation</i> , August 2008
Senate Rural and Regional Affairs and Transport Legislation Committee, <i>Agricultural and Veterinary Chemicals Legislation Amendment Bill 2012 [Provisions]</i> , February 2013	Research Report, <i>Chemicals and Plastics Regulation</i> , August 2008
Senate Community Affairs References Committee, <i>Australia's domestic response to the World Health Organization's (WHO) Commission on Social Determinants of Health report "Closing the gap within a generation"</i> , March 2013	Steering Committee for the Review of Government Service Provision, <i>Overcoming Indigenous Disadvantage: Key Indicators 2011</i> , August 2011
Senate Community Affairs Legislation Committee, <i>National Disability Insurance Scheme Bill 2012 [Provisions]</i> , March 2013	Inquiry Report, <i>Disability Care and Support</i> , July 2011
Senate Education, Employment and Workplace Relations References Committee, <i>Fair Work Amendment (Small Business–Penalty Rates Exemption) Bill 2012</i> , March 2013	Inquiry Report, <i>Economic Structure and Performance of the Australian Retail Industry</i> , December 2011
Senate Environment and Communications Legislation Committee, <i>Environment Protection and Biodiversity Conservation Amendment (Retaining Federal Approval Powers) Bill 2012</i> , March 2013	Research Report, <i>Review of the Regulatory Burden on the Upstream Petroleum (Oil and Gas) Sector</i> , April 2009
Senate Environment and Communications Legislation Committee, <i>Media Reform Bills Package</i> , March 2013	Inquiry Report, <i>Broadcasting</i> , April 2000
Senate Rural and Regional Affairs and Transport Legislation Committee, <i>The management of the Murray-Darling Basin</i> , March 2013	Research Report, <i>Market Mechanisms for Recovering Water in the Murray-Darling Basin</i> , March 2010
Parliamentary Joint Committee on Corporations and Financial Services, <i>Family Businesses in Australia – different and significant: why they shouldn't be overlooked</i> , March 2013	Inquiry Report, <i>Executive Remuneration in Australia</i> , December 2009
Senate Environment and Communications Legislation Committee, <i>Environment Protection and Biodiversity Conservation Amendment Bill 2013 [Provisions]</i> , May 2013	Research Report, <i>Review of the Regulatory Burden on the Upstream Petroleum (Oil and Gas) Sector</i> , April 2009

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Table B.1 (continued)

<i>Parliamentary Committee and report</i>	<i>Commission output used</i>
Senate Community Affairs Legislation Committee, <i>Aged Care (Living Longer Living Better) Bill 2013 [Provisions] and related bills</i> , May 2013	Inquiry Report, <i>Caring for Older Australians</i> , August 2011
Senate Environment and Communications Legislation Committee, <i>Water Efficiency Labelling and Standards (Registration Fees) Bill 2013 [Provisions] Water Efficiency Labelling and Standards Amendment (Registration Fees) Bill 2013 [Provisions]</i> , May 2013	Inquiry Report, <i>Australia's Urban Water Sector</i> , October 2011
Senate Foreign Affairs, Defence and Trade Legislation Committee, <i>Export Finance and Insurance Corporation Amendment (New Mandate and Other Measures) Bill 2013 [Provisions]</i> , June 2013	Inquiry Report, <i>Australia's export credit arrangements</i> , November 2012
Parliamentary Joint Select Committee on Gambling Reform, <i>The advertising and promotion of gambling services in sport, Broadcasting Services Amendment (Advertising for Sports Betting) Bill 2013</i> , June 2013	Inquiry Report, <i>Gambling</i> , February 2010
Parliamentary Joint Select Committee on Gambling Reform, <i>The Poker Machine Harm Reduction (\$1 Bets and Other Measures) Bill 2012, Anti-Money Laundering Amendment (Gaming Machine Venues) Bill 2012, Interactive Gambling Amendment (Virtual Credits) Bill 2013</i> , June 2013	Inquiry Report, <i>Gambling</i> , February 2010

**Table B.2 Parliamentary Library use of Commission publications in 2012-13**

<i>Parliamentary Library output 2012-13</i>	<i>Commission output used</i>
<i>Second Sydney Airport: a decade of deferral 2002–2012</i> , Background Note, July 2012	Inquiry Report, <i>Economic Regulation of Airport Services</i> , March 2012
<i>Commonwealth Indigenous-specific expenditure 1968–2012</i> , Background Note, September 2012	Steering Committee for the Review of Government Service Provision) 2012, <i>2012 Indigenous Expenditure Report</i> , September 2012
<i>Australian Charities and Not-for-profits Commission Bill 2012</i> , Bills Digest No 21, September 2012	Research Report, <i>Economic Contribution of the Not For Profit Sector</i> , February 2010
<i>Customs Amendment (Anti-dumping Improvements) Bill (No. 3) 2012</i> , Bills Digest No 19, September 2012	Inquiry Report, <i>Australia's Anti-dumping and Countervailing System</i> , May 2010
<i>Media reviews: all sound and fury?</i> , Background Note, October 2012	Inquiry Report, <i>Broadcasting</i> , April 2000
<i>Industrial Chemicals (Notification and Assessment) Amendment Bill 2012</i> , Bills Digest No 29, October 2012	Research Report, <i>Chemicals and Plastics Regulation</i> , August 2008
<i>Customs Amendment (Malaysia-Australia Free Trade Agreement Implementation and Other Measures) Bill 2012</i> , Bills Digest No 56, November 2012	Research Report, <i>Bilateral and regional trade agreements</i> , November 2010
<i>Fair Work Amendment Bill 2012</i> , Bills Digest No 54, November 2012	Inquiry Report, <i>Default Superannuation Funds in Modern Awards</i> , October 2012
<i>National Gambling Reform Bill 2012</i> , Bills Digest No 51, November 2012	Inquiry Report, <i>Gambling</i> , February 2010
<i>National Disability Insurance Scheme Bill 2012</i> , Bills Digest No 72, February 2013	Inquiry Report, <i>Disability Care and Support</i> , July 2011
<i>Superannuation Legislation Amendment (Reform of Self-Managed Superannuation Funds Supervisory Levy Arrangements) Bill 2013</i> , Bills Digest No 81, February 2013	Inquiry Report, <i>Cost recovery by government agencies</i> , August 2001; Inquiry Report, <i>Default Superannuation Funds in Modern Awards</i> , October 2012
<i>Australian Government funding for schools explained</i> , Background Note, March 2013	Steering Committee for the Review of Government Service Provision, <i>Report on Government Services 2013</i> , January 2013

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Table B.2 (continued)

<i>Parliamentary Library output 2012-13</i>	<i>Commission output used</i>
<i>Agricultural and Veterinary Chemicals Legislation Amendment Bill 2012</i> , Bills Digest No 89, March 2013	Research Report, <i>Chemicals and Plastics Regulation</i> , August 2008
<i>Customs Amendment (Anti-Dumping Commission) Bill 2013</i> , Bills Digest No 82, March 2013	Inquiry Report, <i>Australia's Anti-dumping and Countervailing System</i> , May 2010
<i>Export Finance and Insurance Corporation Amendment (Finance) Bill 2013</i> , Bills Digest No 94, March 2013	Inquiry Report, <i>Australia's export credit arrangements</i> , November 2012
<i>Export Market Development Grants Amendment Bill 2013</i> , Bills Digest No 93, March 2013	Annual Report Series, <i>Trade and Assistance Review 2007-08</i> , May 2009
<i>Family Assistance and Other Legislation Amendment Bill 2013</i> , Bills Digest No 88, March 2013	Staff Working Paper, <i>Recent trends in Australian fertility</i> , August 2008
<i>Australian Aged Care Quality Agency Bill 2013 [and] Australian Aged Care Quality Agency (Transitional Provisions) Bill 2013</i> , Bills Digest No 103, April 2013	Inquiry Report, <i>Caring for Older Australians</i> , August 2011
<i>Budget Review 2013-14</i> , Research Paper No. 3, May 2013	Inquiry Report, <i>Disability Care and Support</i> , July 2011,
<i>Aged Care (Bond Security) Amendment Bill 2013 [and] Aged Care (Bond Security) Levy Amendment Bill 2013</i> , Bills Digest No 115, May 2013	Inquiry Report, <i>Caring for Older Australians</i> , August 2011
<i>Aged Care (Living Longer Living Better) Bill 2013</i> , Bills Digest No 106, May 2013	Inquiry Report, <i>Caring for Older Australians</i> , August 2011
<i>Not-for-profit Sector Freedom to Advocate Bill 2013</i> , Bills Digest No 116, May 2013	Research Report, <i>Economic Contribution of the Not For Profit Sector</i> , February 2010
<i>Export Finance and Insurance Corporation Amendment (New Mandate and Other Measures) Bill 2013</i> , Bills Digest No 131, June 2013	Inquiry Report, <i>Australia's export credit arrangements</i> , November 2012
<i>Tax and Superannuation Laws Amendment (2013 Measures No. 2) Bill 2013</i> , Bills Digest No 137, June 2013	Research Report, <i>Economic Contribution of the Not For Profit Sector</i> , February 2010
<i>Competition and Consumer Amendment Bill 2013</i> , Bills Digest No 138, June 2013	Research Report, <i>Annual review of regulatory burdens on business: business and consumer services</i> , August 2010

*Social Security Legislation Amendment (Public Housing Tenants' Support) Bill 2013*, Bills Digest No 139, June 2013

*Tax and Superannuation Laws Amendment (Increased Concessional Contributions Cap and Other Measures) Bill 2013 [and] Superannuation (Sustaining the Superannuation Contribution Concession) Imposition Bill 2013*, Bills Digest No 144, June 2013

*Customs Amendment (Anti-dumping Measures) Bill 2013 [and] Customs Tariff (Anti-Dumping) Amendment Bill 2013*, Bills Digest No 156, June 2013

*Interactive Gambling Amendment (Virtual Credits) Bill 2013*, Bills Digest No 157, June 2013

*Charities Bill 2013*, Bills Digest No 160, June 2013

Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, January 2013

Research Report, *Economic Implications of an ageing Australia*, March 2005

Inquiry Report, *Australia's Anti-dumping and Countervailing System*, May 2010

Inquiry Report, *Gambling*, February 2010

Research Report, *Economic Contribution of the Not For Profit Sector*, February 2010

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### *Senate Committee appearances*

The Commission is also invited to appear regularly before Senate Committees to assist the work of Federal Parliament and facilitate scrutiny of its work. It was requested to attend Senate Estimates hearings on three occasions in 2012-13. Appearances by the Chair, Deputy Chair and senior staff before the Senate Standing Committee on Economics occurred on 17 October 2012, 13 February 2013 and 6 June 2013. Hansard of the appearances is available on the Parliament of Australia website.

The Head of the Secretariat for the Review of Government Service Provision was invited to attend public hearings for the Senate Legal and Constitutional Affairs Committee inquiry on 'Value of a justice reinvestment approach to criminal justice in Australia'. His evidence was extensively referenced in the final report published in June 2013.

### **Other evidence**

In addition to the performance indicators for 2012-13 referred to in chapter 2 and those detailed elsewhere in this appendix, recognition of the ability of the Commission to contribute to policy making and public understanding through independent and transparent analysis was demonstrated by the following developments. These mostly involve suggestions for specific references or reporting tasks, but also encompass general assessments of the Commission's performance.

- In welcoming a joint scoping study by the Australian and New Zealand Productivity Commissions in December 2012, the then Prime Minister, the Hon. Julia Gillard, stated:

... this report from the two Productivity Commissions presents the most important opportunity for many years to shape the next steps in trans-Tasman economic integration in this the Asian Century. The report provides a thoughtful analysis of our economic relationship and considers the scope for its future development to create jobs and boost productivity for both Australia and New Zealand. (Gillard and Key 2012)

- When discussing disability insurance in May 2013, the Hon. Jenny Macklin, Minister for Families, Housing, Community Services and Indigenous Affairs, stated:

We've had a lot of work done on this issue. Of course in the first case by the Productivity Commission and it was really as a result of their work that they told the Government that they determined that 410,000 Australians would be eligible for DisabilityCare, the new disability insurance scheme. So, it's the Productivity

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Commission that's made the estimates and it's really from their work that we've built the scheme. (Macklin 2013)

- In May 2013, the Assistant Treasurer, the Hon. David Bradbury, and the Minister for Agriculture, Fisheries and Forestry, the Hon. Joe Ludwig, announced that the Commission would be asked to conduct a review in 2014 of regulatory burdens across the food chain (Ludwig and Bradbury 2013).
- During the year COAG identified several further areas where Commission projects would assist it with its work. Specific projects undertaken to assist policy development across jurisdictions in 2012-13 included a benchmarking study on the regulatory role of local government, to assist the work of the COAG Business Regulation and Competition Working Group (BRCWG), and a benchmarking study into regulatory impact analysis (RIA) processes.
- The Federal Opposition proposed a number of tasks for the Commission during the year, including that it:
  - review post-2015 funding for the automotive sector to provide a “sensible, evidence-based approach to taxpayer funded subsidies, as well as better funding benchmarks aimed at the long-term viability of the industry” (Mirabella 2013)
  - conduct an inquiry into the Fair Work Act (Abbott and Abetz 2013)
  - be asked to inquire into child care arrangements, including consideration of the current hours parents work or study, or wish to study; the particular needs of rural, regional or remote parents, as well as shift workers; the out of pocket costs of child care to families; rebate and subsidies available for each type of rebate; and the needs of vulnerable or at risk children (Abbott 2012).
- The Australian Greens proposed that the Commission be asked to undertake several strands of new work during the year, including that it:
  - be asked to conduct an inquiry into the Federal Government's funding of childcare services, including a review of the childcare rebate and benefit (Hanson-Young 2013)
  - review assistance arrangements for coal-fired generators (Milne and Bandt 2012)
  - be asked to conduct an inquiry into illicit drugs (Di Natale 2013).
- The Climate Change Authority's final report on the Renewable Energy Target, released in December 2012, recommended that:

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The level of the emissions-intensive, trade-exposed exemption under the Renewable Energy Target should be considered by the Productivity Commission as part of its broader review of the Jobs and Competitiveness Program (2014-15). (Climate Change Authority 2012)

- In welcoming the announcement of a Commission inquiry into access to civil justice arrangements in June 2013, the National Association of Community Legal Centres stated:

The Productivity Commission is an appropriate body to examine not only the economic value provided by these services, but also the immense differences that availability of free public legal services make to individuals – ordinary people and their families. It can also measure the contribution and value to achieving a fairer Australia and contributing to community wellbeing. (National Association of Community Legal Centres 2013)

The inquiry was also welcomed by several other stakeholder groups, including the Law Council of Australia and the Victorian Bar.

- Parliamentary Committees also continued to draw on Commission reports to inform their work and to recommend new work for the Commission. For example:
  - The House of Representatives Standing Committee on Regional Australia (2013, p. xxii) recommended that the Commission be asked to investigate a more appropriate form of governance for remote Australia.
  - The House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry (2012, p. 120) recommended that the Treasurer refer to the Commission an inquiry into the efficiency of the fisheries industry across Australia and the efficiency and effectiveness of the inter-jurisdictional governance arrangements for Australian fisheries.
- In September 2012 a report by the non-government members of the Prime Minister’s Manufacturing Taskforce recommended that a Productivity Commission inquiry be conducted into lease provisions and supply of gas to the domestic market. (Prime Minister’s Manufacturing Taskforce 2012, p. 94)
- The Human Rights Commission released a report in February 2013 that called for a Commission inquiry into valuing unpaid care work. (Human Rights Commission 2013)
- In March 2013, a review of Australia’s fishery management undertaken by David Borthwick AO on behalf of the Australian Government, recommended that:

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The Productivity Commission should be asked to review the Offshore Constitutional Settlement provisions with a view to streamlining the arrangements between Commonwealth and States as so to improving fisheries management and environmental outcomes. (Borthwick 2013, p. xvi)

- In April 2013, the Victorian Water Minister, the Hon. Peter Walsh, and the Commonwealth Water Minister, the Hon. Tony Burke, supported calls for the Commission to conduct an independent review of water management programs in the Murray-Darling Basin. (Bettles 2013a)
- CPA Australia called in April 2013 for a Commission review of national savings. (Walsh 2013)
- Catholic Health Australia proposed in March 2013 that the Commission should have:

... a primary coordination role in gathering data required to build the evidence base to support policy to address the social determinants of health. (Senate Community Affairs References Committee 2013).
- In June 2013, Mission Australia supported calls for the Commission to be asked to investigate the most effective and affordable models of childcare, including reviewing current funding models. (Karvelas 2013a)
- National Shelter called in May 2013 for the Commission to be:

... asked to examine the long term effectiveness of the current ways of subsidising rents, including Commonwealth Rental Assistance, income based and market based rents, and to recommend the most effective way to ensure affordability for tenants within a sustainable system. (National Shelter 2013)
- Job Services Australia, the peak body for non-profit job agencies, called in April 2013 for the Australian Government to ask the Commission to conduct an inquiry into the job-matching system. (Karvelas 2013b)
- Universities Australia (2013) called during the year for the Commission to be asked to conduct a review of university regulation.
- Sex Discrimination Commissioner Elizabeth Broderick supported suggestions that the Commission be tasked with undertaking an inquiry into childcare, stating:

The Productivity Commission has a track record in this area, having delivered a paid parental leave scheme that was affordable but had children's wellbeing and mother's workforce participation at its centre... The Productivity Commission, with strong economic modelling credentials, is the appropriate body to do so. (Karvelas 2013c)
- In February 2013 the Inspector-General of Taxation recommended that:

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The Government should consider commissioning an appropriate independent body, such as the Productivity Commission, to publicly report on the cost of taxation related compliance, including taxpayers' costs and the overall cost to the economy. (Inspector-General of Taxation 2013)

- The Victorian Government released an Economic Statement in December 2012 that advocated a review by the Commission of the Renewable Energy Target (Herington 2013).
- Michael Chaney, the chair of National Australia Bank, said in February 2013 that the Commission should be given expanded powers to lead a reform of how government services are delivered and to help speed up government approvals of infrastructure projects. (Business Spectator 2013)
- In September 2012, the National Seniors Productive Ageing Centre recommended:

... that the Government task the Productivity Commission to examine the broad thematic issues around caring, beyond employment and beyond mature age carers. (National Seniors Productive Ageing Centre 2012, p. 1)
- The Public Interest Advocacy Centre called for the Commission to be requested to undertake a review of assistance arrangements for residential electricity consumers. (Senate Select Committee on Electricity Prices 2012, p. 56)
- In November 2012 the National Mental Health Commission called on the Australian Government to ask the Commission to work on the economic and productivity impacts of mental ill health and suicide in Australia. (National Mental Health Commission 2012).
- 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 the costs of road trauma; large scale infrastructure projects; the development of standards for the comprehensive release of models and data upon which policy assessments are made; agricultural productivity; the cost effectiveness of illicit drug law enforcement; productivity and competitiveness; passenger movement charging in Australia; and the cost of drug use.
- Throughout the year, various peak bodies also continued to call for the Commission to be requested to undertake a diverse range of work. For example:
  - The Minerals Council of Australia called for the Commission to be given a sweeping mandate for 'deep benchmarking' of Australia's international competitiveness with an enhanced focus on Asian benchmarks. (Minerals Council of Australia 2013)

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- In February 2013, the Australian Industry Group called for an inquiry into regulations that support or hinder the use of digital technologies and networks. (AIG 2013)
  - The Australian Chamber of Commerce and Industry called in August 2012 for the Commission to be asked to conduct a comprehensive review of the Australian financial system. (Brinsden 2012)
  - In February 2013 the Business Council of Australia stated that COAG should consider referring the issue of Australia’s high building construction costs to the Commission for a full inquiry. (Business Council of Australia 2013)
  - General endorsement of the Commission’s role and work can also be found in various proposals for new agencies that have similar roles. For example:
    - In May 2013, the Queensland Commission of Audit recommended that a Queensland Productivity Commission be established to undertake a range of functions, including reviews of service delivery issues and regulation. (Queensland Commission of Audit 2013)
    - The Danish Productivity Commission formally commenced operations in January 2013. In discussing its structure and functions, the Danish Government stated:

The government wants the commission to work openly to ensure an on-going debate on the commission’s work and topics. The commission must therefore publish interim reports during its lifespan. (Government of Denmark 2013)
    - Scotland’s former Auditor General, Mr Robert Black, called in January 2013 for the establishment of a body with similar features to the Commission, stating:

In Australia... there is a Productivity Commission at arm’s length from government. It is a standing commission with the powers to undertake independent reviews commissioned by government...A Scottish commission would be a spur to change. (Whitaker 2013)
    - In December 2012, the Director of the Australian APEC Study Centre suggested that consideration be given in Taiwan to the establishment of an independent advisory body similar to the Commission. (Waller 2012)
    - In its latest economic survey of Mexico, the OECD stated that:

Given the ambitions of the new administration and the comprehensiveness of the needed reforms that cover multiple domains, a high-level inter-agency body focused on productivity similar to Australia’s Productivity Commission should be created to analyse the impediments and risks to growth and advocate for reform. (OECD 2013a, p. 51)

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### *Citations in journals and elsewhere*

In addition to the parliamentary, media and other coverage reported elsewhere in this appendix, the Commission and its reports are widely cited elsewhere. The Commission found evidence of over 500 mentions of the Commission and its reports in 2012-13 in a wide range of journals and other publications. These covered a wide range of different reports, papers, speeches and work in progress. The reports receiving the most number of citations were the annual *Report on Government Services* from various years, and inquiries on climate change adaptation, aged care and gambling.

### *COAG review of the Report on Government Services*

COAG agreed in 2009 to a review of the *Report on Government Services* (RoGS), to be undertaken by a combined Senior Officials and Heads of Treasuries Working Group. COAG endorsed the view that the review was the key tool to measure and report on the productive efficiency and cost effectiveness of government services.

COAG endorsed new terms of reference for the Steering Committee and RoGS in April 2010. The Steering Committee reports to COAG on its operations triennially, with the first report provided in September 2012.

### *Review of the Overcoming Indigenous Disadvantage: Key Indicators report*

In 2012, the Productivity Commission, in its role as Secretariat for the Review of Government Service Provision, commissioned the Australian Council of Educational Research to conduct a review of the Overcoming Indigenous Disadvantage report. The review included consultation with governments, Indigenous organisations and research bodies, using a mix of face-to-face meetings and forums, telephone interviews and surveys. The review found a positive view of the report and identified a number of opportunities to strengthen it. The final review report was placed on the PC website in late 2012.

The Steering Committee published a set of proposed responses to the review recommendations in early 2013. Following consultations with governments, Indigenous organisations and research bodies in mid-2013, the Steering Committee is expected to publish a set of final responses to the review recommendations in late 2013. These final responses will inform the directions for the next edition of the Overcoming Indigenous Disadvantage report.

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## Government-commissioned projects

These projects are major tasks commissioned or formally requested by the Australian Government. They encompass the conduct of public inquiries, case studies, program evaluations, taskforces and commissioned research projects. They typically involve extensive public consultation. The Commission can also be asked to assist policy development processes by undertaking technical modelling exercises of policy initiatives under consideration by the Government.

In response to these requests, the Commission is committed to undertaking projects in accordance with required processes and to produce reports which are of a high standard, useful to government and delivered on time. Performance against these indicators is reported below.

All government-commissioned inquiries in 2012-13 were conducted by the Commission in accordance with statutory processes which set requirements for public hearings, submissions and the use of economic models.

### Activities in 2012-13

The Commission had nine public inquiries and six government-commissioned research studies underway at some time during the year. The program of government-commissioned projects is summarised in table B.3, although the varying complexity of policy issues addressed and the consultation demands are difficult to capture.

During 2012-13 the Commission:

- completed four public inquiries commenced in 2011-12 — on climate change adaptation, electricity network regulation, default superannuation funds and the compulsory licensing of patents
- commenced a further five new public inquiries during the year, on mineral and energy resource exploration, the national access regime, access to civil justice, processed fruit import safeguards and processed tomato import safeguards.

Research studies commissioned by the Government were also a significant component of the Commission's workload again in 2012-13 (figure 2.1). During the year the Commission:

- finalised three research studies commenced in the previous year — benchmarking studies on the role of local government as a regulator and

regulatory impact assessments, and a study on economic relations between Australia and New Zealand (jointly conducted with the New Zealand Productivity Commission)

- received requests during the year to conduct research studies on major project development assessment processes, regulator engagement with small business and geographic labour mobility.

**Table B.3 Program of public inquiries and other government-commissioned projects<sup>a</sup>**

	2011-12					2012-13												2013-14							
Month	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
<b>Public inquiries:</b>																									
Australia's Export Credit Arrangements																									
Barriers to Effective Climate Change Adaptation																									
Default Superannuation Funds in Modern Awards																									
Compulsory Licensing of Patents																									
Electricity Network Regulation																									
Mineral and Energy Resource Exploration																									
National Access Regime																									
Safeguards Inquiry: Processed Fruit Imports																									
Safeguards Inquiry: Processed Tomato Imports																									
Access to Civil Justice																									
<b>Commissioned research studies:</b>																									
Impacts and Benefits of COAG Reforms <sup>b</sup>																									
Regulation Benchmarking: Role of Local Government																									
Regulation Benchmarking: Regulatory Impact Analysis																									
Australian and New Zealand Economic Relations																									
Major Project Development Assessment Processes																									
Regulation Benchmarking: Regulator Engagement with Small Business																									
Geographic Labour Mobility																									

<sup>a</sup> Shaded area indicates the approximate duration of the project in the period covered by the table. <sup>b</sup> Includes consideration of Vocational Education and Training and Seamless National Economy reforms.

Trends in public inquiry activity and participation over the past five years are shown in table B.4. Information on individual projects is provided in appendix D.

Table B.4 **Public inquiry and other commissioned project activity, 2008-09 to 2012-13**

<i>Indicators</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
<b>Public inquiries</b>					
Inquiry references received	3	4	3	5	5
Issues papers released	3	4	3	4	3
Public hearings (sitting days) <sup>a</sup>	17	28	45	16	11
Organisations/people visited	205	261	361	152	205
Submissions received	749	609	2397	566	258
Draft reports <sup>b</sup>	2	4	4	5	4
Inquiry reports completed	2	3	3	5	4
Inquiries on hand (at 30 June)	3	4	4	9	5
<b>Research studies</b>					
References received	5	5	4	5	3
Submissions received	972	483	352	590	180
Draft reports <sup>b</sup>	6	11	3	4	2
Research reports completed	7 <sup>c</sup>	7 <sup>c</sup>	4	4	3
Studies on hand (at 30 June)	5	5	3	4	3
<b>Total references</b>					
Total references received	8	9	7	10	8
Total references completed	8	9	7	8	7
Total references on hand (at 30 June)	8	9	7	7	8

<sup>a</sup> Excludes forums and roundtable discussions. <sup>b</sup> Includes all types of draft reports. <sup>c</sup> Total includes two final reports completed as part of the study on business regulation benchmarking.

The Commission endeavours to conduct projects in an economical manner, while ensuring rigorous analysis and maximising the opportunity for participation. Total estimated costs (covering salaries, direct administrative expenses and an allocation for corporate overheads) for the seven inquiries and government-commissioned research studies completed in 2012-13 are shown in table B.5.

**Table B.5 Cost of public inquiries and other commissioned projects completed in 2012-13<sup>a</sup>**

<i>Government-commissioned project</i>	<i>Total cost</i>
	\$'000
Barriers to Effective Climate Change Adaptation	1 848
Electricity Network Regulation	1 522
Default Superannuation Funds in Modern Awards	940
Compulsory Licensing of Patents	1 231
Regulation Benchmarking: Role of Local Government	2 283
Regulation Benchmarking: Regulatory Impact Analysis	1 132
Australian and New Zealand Economic Relations	2 021

<sup>a</sup> Includes estimated overheads.

The major administrative (non-salary) costs associated with public inquiries and other government-commissioned projects relate to the Commission's extensive consultative processes and the wide dissemination of its draft and final reports. Comparisons of these costs for the period 2008-09 to 2012-13 are shown in table B.6.

Variations in the administrative cost of inquiries and other commissioned projects arise from the extent and nature of public consultation, the number of participants, the complexity and breadth of issues, the need for on-site consultations with participants and the State and Territories, the cost of any consultancies (including those arising from the statutory requirements relating to the use of economic models), and printing costs and the duration of the inquiry or project.

**Table B.6 Direct administrative expenditure on public inquiries and other government-commissioned projects<sup>a</sup>, 2008-09 to 2012-13**

<i>Expenditure item</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
Travel	546	526	667	523	444
Printing	133	212	183	223	87
Consultants	82	27	28	20	28
Other <sup>b</sup>	251	526	942	242	256
<b>Total</b>	<b>1 012</b>	<b>1 291</b>	<b>1 820</b>	<b>1 008</b>	<b>815</b>

<sup>a</sup> Expenditure other than salaries and corporate overheads. <sup>b</sup> Includes other costs, such as advertising, venue hire, transcription services and data acquisition.

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## Consultative processes

The practice of consulting widely during inquiries and government-commissioned research projects continued in 2012-13, encompassing government departments and agencies, professional and industry organisations, academics and the broader community.

In the course of its inquiry work over the year, the Commission held 11 public hearings, visited more than 200 individuals and organisations and received more than 250 submissions.

The Commission actively encourages public participation in its inquiry work and continues to develop mechanisms to facilitate this. For example:

- In undertaking its study on regulator engagement with small business, and following receipt of the terms of reference in December 2012, an initial circular advertising the study was distributed to several hundred government representatives, industry organisations and individuals. The study was advertised in national and metropolitan newspapers and in all state and territory regional newswire services. The Commission released an Issues Paper in January 2013 to assist interested parties in preparing their submissions. There were 31 submissions received by the Commission prior to the release of the draft report in June 2013. In addition, the Commission met with a number of stakeholders, including business groups, academics and government agencies. A survey was also undertaken of approximately 400 national and state government regulators. The Commission partnered with the Council of Small Business of Australia (COSBOA) to canvas views of small businesses on regulator engagement practices. To facilitate this, COSBOA developed a number of targeted questions for their website to which they invited small business responses. An aggregation of these responses was then provided to the Commission as part of COSBOA's submission to this study. The study is ongoing, with a final report expected in September 2013.
- In conducting its inquiry on default superannuation, and in keeping with its standard practice, the Commission actively encouraged public participation in the inquiry in several ways. Following receipt of the terms of reference in February 2012, it advertised the inquiry in major metropolitan newspapers and sent a circular to likely interested parties. In late February 2012, it released an issues paper to assist those wishing to make written submissions. Some 54 written submissions were subsequently received. After releasing the draft report in June 2012, the Commission received a further 40 submissions. All

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submissions were made available online to promote further discussion and debate and to provide broad access to the views put therein. The Commission also met with over 70 individuals and organisations in undertaking its inquiry. Following release of the draft report, public hearings were held in Melbourne and Sydney.

Further details on the consultations undertaken in the course of government-commissioned research studies are provided in the reports.

The Commission increasingly uses internet based platforms to increase the accessibility of its reports and to facilitate speedier and easier notification of developments in inquiries and studies. On-line registration facilitates people notifying their interest in specific inquiries and studies and being kept informed of developments. In particular, participants' submissions to inquiries and studies and transcripts of hearings (other than confidential information) are placed on the Commission's website.

Internet access has also increased the opportunities for earlier and less costly public scrutiny of the views and analysis being put to the Commission. There were more than 207 000 external requests for the index pages to submissions for inquiries and commissioned studies current in the year to 30 June 2013. In 2012-13 the Commission also began posting regular updates on its activities on Twitter.

## **Quality indicators**

Quality assurance processes are built into the way the Commission conducts its public inquiries and other government-commissioned projects. The Commission receives extensive feedback on the accuracy and clarity of its analysis in its inquiry work and the relevance of its coverage of issues. Much of this feedback is on the public record through submissions on draft reports and transcripts of public hearings.

The roundtables and workshops convened during the course of inquiries and government-commissioned research studies, noted above, also contributed to the Commission's quality assurance processes.

The Government's formal responses to the work it has commissioned potentially provide a further indicator of the quality of that work. These responses are also an indicator of usefulness and are reported under that heading below. Details of the Government's responses to Commission reports are provided in appendix D.

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## **Timeliness**

The seven inquiries and commissioned research studies finalised in 2012-13 were all completed on or ahead of schedule.

## **Indicators of usefulness**

The usefulness of government-commissioned projects undertaken by the Commission in contributing to policy making and public understanding is demonstrated by a range of indicators.

### *Government responses*

The Commission's impact on policy making is revealed most directly through government responses to, and decisions on, its reports. During the year, the Australian Government announced the following decisions on Commission reports.

- The Australian Government released a final response to the Commission's 2011 report on rural research and development corporations in July 2012 (Australian Government 2012a). The Government agreed or agreed in principle to thirteen of the Commission's recommendations. These included recommendations on public funding principles, industry requests for marketing, evaluations and performance reviews, specific maximum levy rates, government matching funding, annual monitoring and reporting, and government representation on Research and Development Corporation (RDC) Boards. The Government did not agree with four of the Commission's recommendations, including on halving the cap on government matching contributions to RDCs in conjunction with the introduction of a new subsidy above the cap, and on the possible establishment of a new RDC, Rural Research Australia.
- On 5 December 2012, the Australian Government released a comprehensive response to the Commission's report on Identifying and Evaluating Regulatory Reforms (Australian Government 2012b). The Government accepted or accepted in principle nine of the report's recommendations and noted a further three recommendations.
- On 29 January 2013, the then Minister for Trade and Competitiveness, the Hon. Craig Emerson, released the Government response to the Commission's report on export credit arrangements (Australian Government 2013c). The response provided agreement to four of the Commission's recommendations, agreed in part to twelve recommendations, and noted a further six. The Government

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agreed with a Commission recommendation to remove the ‘market gap’ mandate from its Statement of Expectations with the Export Finance and Investment Corporation (EFIC). It also agreed with a recommendation to amend the EFIC Act to allow the Minister to direct the Board of EFIC to return capital to the Australian Government when the Minister determines that EFIC has surplus capital, after seeking the views of the Treasurer and the Minister for Finance. The Government agreed to amend the EFIC Act to exclude Australian Public Service personnel from the EFIC Board. Agreement was also provided that the Minister should table EFIC’s corporate plan in Parliament (and, in due course, the Act should be amended to require this), and that EFIC should provide quarterly progress reports to the Minister against its corporate plan. The Government did not agree with a recommendation that the Minister should direct EFIC to cease providing financial services for transactions that are not based on an export contract. It also did not agree with several recommendations involving legislative amendments in respect of the Commercial Account.

- In March 2013, the Australian Government released its response to the Commission’s report on climate change adaptation (Australian Government 2013b). Of the twelve recommendations made by the Commission, the Government agreed with three, provided in-principle agreement with seven, and noted a further two. The Government agreed on the Commission’s recommendations regarding information provision, not requiring insurers to offer mandatory flood cover, and not subsidising insurance. The Government agreed in principle to recommendations on assessing reform options, improving the flexibility of the economy, listing local governments’ regulatory roles, clarifying local government legal liability, adopting flexible land-use planning, considering climate change in the building code and phasing out state insurance taxes. Recommendations to review ways to manage risks to existing settlements, and on disaster mitigation and recovery, were noted. While the Government provided broad agreement with the report, it did raise concerns regarding the Commission’s treatment of ‘cognitive barriers’ to adaptation.
- On 30 May 2013, the Parliamentary Secretary for Climate Change, Industry and Innovation, the Hon. Yvette D’Ath MP, introduced the Intellectual Property Laws Amendment Bill 2013 into Parliament. The aim of the Bill was to clarify the operation of Crown use provisions in the *Patents Act 1990*, in line with recommendations made in the Commission’s report on the Compulsory Licensing of Patents. In announcing the introduction of the Bill, the Parliamentary Secretary stated:

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The announcement follows the release of the Productivity Commission's Report on Compulsory Licensing of Patents which found there was uncertainty around the scope of current Crown use provisions, particularly in the context of healthcare. (D'Ath 2013)

- On 26 June 2013 the Australian Government released its response to the Commission's report on electricity network regulatory frameworks (Australian Government 2013d). The response covered recommendations on a broad range of topics, including benchmarking, interconnectors, network ownership, demand management, reliability standards, governance of National Electricity Market institutions, consumer involvement and timeliness in decision making and rule changes. While generally supportive of the Commission's approach, the response also emphasised the reform work currently underway across jurisdictions, and stated that:

The Commission's report is a contribution to a long running and broad energy market reform program, which has been substantially redefined during the course and conclusion of this inquiry... This reform agenda addresses many of the issues raised in the Commission's Final Report. However, the success of this package is contingent on all jurisdictions delivering on the reform milestones agreed by COAG to ensure the benefits of reform flow through to consumers as quickly as possible. (Australian Government 2013d, p. i).

The response supported 13 of the Commission's recommendations, provided in principle support for a further 21 recommendations, and supported in part 12 recommendations. A further 15 recommendations were noted and 2 recommendations were not supported.

Governments have not always agreed with or accepted the Commission's advice, at least initially. Nevertheless, as reported in table B.7 below and in earlier Annual Reports, a review of Commission inquiries shows that governments adopt a substantial majority of recommendations and generally endorse its findings. Further, an assessment of the nature and extent of references made to material in the Commission inquiry reports suggests that those reports have materially contributed to policy debates in Federal, State and Territory Parliaments, as well as more generally within the media and general community.

**Table B.7 Impact of recent Commission inquiry reports on government policy making<sup>a</sup>**

<i>No.</i>	<i>Inquiry report</i>	<i>Government response to Commission findings and/or recommendations</i>
51	Wheat Export Marketing Arrangements (July 2010)	<p>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.</p>
52	Rural Research and Development Corporations (February 2011)	<p>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.</p> <p>The Government released a final response to the report in July 2012 (Australian Government 2012a). The Government agreed or agreed in principle to thirteen of the Commission's recommendations. These included recommendations on public funding principles, industry requests for marketing, evaluations and performance reviews, specific maximum levy rates, government matching funding, annual monitoring and reporting, and government representation on RDC Boards. The Government did not agree with four of the Commission's recommendations, including on halving the cap on government matching contributions to RDCs in conjunction with the introduction of a new subsidy above the cap, and on the possible establishment of a new RDC, Rural Research Australia.</p>

- 53 Caring for Older Australians (June 2011)
- The Australian Government released its Living Longer. Living Better. aged care reform package, which included a response to the Commission's report, in May 2012 (Australian Government 2012b). A number of recommendations from the Commission's report were supported, and adopted in the Living Longer. Living Better reforms. These included the establishment of an Aged Care Reform Council; that no deductions will be permitted from the bonds paid for residential care accommodation; new 'intermediate level' community care packages; the establishment of an initial care Gateway (but not accompanied by a move to an aged care entitlement as the Commission had recommended); a review of the reforms after five years; and the establishment of an aged care data clearing house.
- The Government did not agree with a number of the Commission's recommendations, including those on establishing an Aged Care Home Credit scheme, establishing an Aged Pensioners Savings Account and establishing an independent regulatory agency. While the government announced a comprehensive (income and asset) means test for care contributions in residential care only (rather than in all settings as recommended by the Commission), the principal residence has been excluded from the means test for care (a measure that had been recommended by the Commission to improve the long-term fiscal sustainability of the aged care system).
- 54 Disability Care and Support (July 2011)
- On 10 August 2011 the Australian Government provided an initial response to the Commission's report (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.' 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 standards; development of a national pricing structure; and capacity building in the disability sector, including in relation to the workforce.
- On 25 July 2012, COAG noted progress in establishing the first stage of a National Disability Insurance Scheme (NDIS) from July 2013, drawing on the Commission's August 2011 report on Disability Care and Support. COAG stated that the Commonwealth has reached in-principle agreement with South Australia, Tasmania and the Australian Capital Territory for a launch to commence from July 2013 (COAG 2012).
- 56 Economic Structure and Performance of the Australian Retail Industry (November 2011)
- On 9 December 2011 the Australian Government released its response to the Commission's report on the Australian retail industry (Conroy, O'Connor, Sherry and Shorten 2011). The Government agreed, or agreed in principle, with eight recommendations and noted four recommendations. The Government welcomed the staged approach recommended by the Commission to the issue of the appropriate level of the Low Value Threshold. This involved establishing a Taskforce to investigate improved approaches to processing low value parcels and then reassessing the extent to which the Threshold could be reduced.

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(continued next page)

**Table B.8 Impact of recent Commission inquiry reports on government policy making<sup>a</sup>**

No.	<i>Inquiry report</i>	<i>Government response to Commission findings and/or recommendations</i>
57	Economic Regulation of Airport Services (December 2011)	On 30 March 2012 the Minister for Infrastructure and Transport, the Hon Anthony Albanese, and the Assistant Treasurer and Minister Assisting for Deregulation, the Hon David Bradbury, released a response to the Commission's 2011 report on airport regulation (Albanese and Bradbury 2012). In responding to the report, the Government broadly accepted the Commission's recommendations, but did not fully implement its proposed approach. The Government agreed in principle with the Commission's recommendations to continue monitoring and improve the operation of the regime through enhancements to the monitoring approach. However, the Government also noted that, in its view, since the ACCC is an independent statutory authority, it is the responsibility of the ACCC to give effect to a number of the Commission's proposed enhancements to the monitoring regime as it sees fit. The Government response provided agreement to the Commission's recommendations on landside access to airports.
58	Australia's Export Credit Arrangements (June 2012)	<i>On 29 January 2013, the then Minister for Trade and Competitiveness, the Hon. Craig Emerson, released the Government response to the Commission's report on export credit arrangements (Australian Government 2013c). The response provided agreement to four of the Commission's recommendations, agreed in part to twelve recommendations, and noted a further six.</i>
59	Barriers to Effective Climate Change Adaptation (July 2012)	<i>In March 2013, the Australian Government released its response to the Commission's report on climate change adaptation (Australian Government 2013b). Of the twelve recommendations made by the Commission, the Government agreed with three, provided in-principle agreement with seven, and noted a further two. The Government agreed on the Commission's recommendations regarding information provision, not requiring insurers to offer mandatory flood cover, and not subsidising insurance. The Government agreed in principle to recommendations on assessing reform options, improving the flexibility of the economy, listing local governments' regulatory roles, clarifying local government legal liability, adopting flexible land-use planning, considering climate change in the building code and phasing out state insurance taxes. Recommendations to review ways to manage risks to existing settlements, and on disaster mitigation and recovery, were noted. While the Government provided broad agreement with the report, it did raise concerns regarding the Commission's treatment of 'cognitive barriers' to adaptation.</i>

- 61 Compulsory Licensing of Patents *On 30 May 2013, the Parliamentary Secretary for Climate Change, Industry and Innovation, the Hon. Yvette D'Ath MP, introduced the Intellectual Property Laws Amendment Bill 2013 into Parliament. In announcing the introduction of the Bill, the Parliamentary Secretary stated:*
- The announcement follows the release of the Productivity Commission's Report on Compulsory Licensing of Patents which found there was uncertainty around the scope of current Crown use provisions, particularly in the context of healthcare. (D'Ath 2013)*
- The aim of the Bill was to clarify the operation of Crown use provisions in the Patents Act 1990, in line with recommendations made in the Commission's report on the Compulsory Licensing of Patents.*
- 62 Electricity Networks Regulatory Frameworks *On 26 June 2013 the Australian Government released its response to the Commission's report on electricity network regulatory frameworks (Australian Government 2013d). The response covered recommendations on a broad range of topics, including benchmarking, interconnectors, network ownership, demand management, reliability standards, governance of National Electricity Market institutions, consumer involvement and timeliness in decision making and rule changes. While generally supportive of the Commission's approach, the response also emphasised the reform work currently underway across jurisdictions*

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<sup>a</sup> Details on Government responses to earlier Commission reports are available in previous Annual Reports (Table B.7). Additions or significant changes to the table published in the *2011-12 Annual Report* are indicated in italics.

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### *Website and media coverage*

Other measures of the Commission's usefulness in contributing to public understanding are the use of its website and media coverage of its reports.

- In the 12 months to June 2013 there were more than 207 000 external requests for the index pages of inquiries and government-commissioned research studies current in 2012-13. The projects of most interest were default superannuation (30 192 requests), climate change adaptation (29 395 requests) and electricity (40 349 requests), and the research studies on regulatory impact analysis (18 815 requests) and small business engagement (17 008 requests). Other heavily accessed web pages were for the 2012 and 2013 *Report on Government Services* (25 459 and 22 793 requests, respectively) and the 2011 *Overcoming Indigenous Disadvantage: Key Indicators* report (15 141 requests). Speeches by the Commission's current and former Chair attracted more than 12 000 requests over the year. 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 2011 inquiry on disability care and support received over 48 000 requests; and the Commission's 2005 study of the health workforce received over 7 600 requests.
- Inquiry and commissioned research reports typically receive wide media coverage. In 2012-13 there were 37 editorials in major newspapers on Commission inquiries and commissioned research studies. These included the Commission's inquiry reports on climate change adaptation, disability care and support and electricity.
- Inquiries current in 2012-13 received over 800 mentions in the print and broadcast media during the year. Coverage of the Commission's inquiries into electricity accounted for a significant share of total mentions. New work suggestions accounted for around 10 per cent of total mentions.

### *Invited presentations*

A measure of the usefulness of the Commission's inquiry and other government-commissioned reports in contributing to public understanding of policy issues is the 59 invitations the Commission accepted in 2012-13 to present papers on inquiries and commissioned studies to business, community and other groups — in particular, on the Commission's climate change adaptation and electricity inquiries (table E.1).

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

At the request of the Government, the Commission undertakes a number of major activities in this output group. It provides secretariat, research and report preparation services to the Steering Committee for the Review of Government Service Provision in respect of the annual Report on Government Services; the regular Overcoming Indigenous Disadvantage report; the two yearly Indigenous Expenditure Report; and the collation of performance data under the Intergovernmental Agreement on Federal Financial Relations, in support of the analytical role of the COAG Reform Council.

### **Activities in 2012-13**

Publications arising from the Commission's performance reporting activities this year were:

- Report on Government Services 2013, two volumes (and supporting tables on website) (January 2013)
- Report on Government Services 2013: Indigenous Compendium (April 2013)
- National Agreement performance information 2011-12: National Healthcare Agreement (December 2012)
- National Agreement performance information 2011-12: National Affordable Housing Agreement (December 2012)
- National Agreement performance information 2011-12: National Disability Agreement (December 2012)
- National Agreement performance information 2011-12: National Indigenous Reform Agreement (December 2012)
- National Agreement performance information 2012: National Agreement for Skills and Workforce Development (June 2013)
- National Agreement performance information 2012: National Education Agreement (June 2013)
- National Partnership Agreement on Essential Vaccines: 1 April 2012-31 March 2013 Performance Report (May 2013)
- 2012 Indigenous Expenditure Report (September 2012)
- Expenditure Data Manual: 2012 Indigenous Expenditure Report (September 2012)

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- Service Use Measure Definitions Manual: 2012 Indigenous Expenditure Report (September 2012).

### *Review of Government Service Provision*

Heads of Government (now the Council of Australian Governments or COAG) established the Review of Government Service Provision (the Review) to provide information on the equity, efficiency and effectiveness of government services in Australia.

In 2009, COAG endorsed the findings and recommendations of a high level review of RoGS. COAG recognised the RoGS as ‘the key tool to measure and report on the productive efficiency and cost effectiveness of government services’ and in 2010 agreed to a new terms of reference and charter of operations for the Review, as well as a new terms of reference for the RoGS ([www.pc.gov.au/gsp/review/tor](http://www.pc.gov.au/gsp/review/tor); COAG 2010).

As part of its Reconciliation Agenda, COAG requested in 2002 that the Review produce a regular report against key indicators of Indigenous disadvantage (the Overcoming Indigenous Disadvantage (OID) report). In March 2009, the Prime Minister provided updated terms of reference for the report, requesting the Steering Committee to align the OID framework with COAG’s six high level targets for Closing the Gap in Indigenous outcomes.

In November 2008, COAG endorsed the Intergovernmental Agreement on Federal Financial Relations (IGA). Under the reforms, the Steering Committee has ‘overall responsibility for collating the necessary performance data’ required for the COAG Reform Council to undertake its assessment, analytical and reporting responsibilities.

In February 2011, COAG transferred responsibility for the Indigenous Expenditure Report from a separate IER Steering Committee (for which the Productivity Commission provided Secretariat support) to the Steering Committee for the Review of Government Service Provision (for which the Productivity Commission also provides support).

### *Report on Government Services*

The eighteenth Report on Government Services was released in January 2013. The Report focuses on the equity, effectiveness and efficiency of government service provision.

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Reporting is an iterative process. Working Groups for all service areas have strategic plans to refine performance measures and to improve the quality of information published in the Report. Since the first Report was published in 1995, there have been significant advances in both the scope of reporting and the quality and comprehensiveness of data.

Enhancements on previous editions include further development of the overviews for each of the broad service sectors. High level summaries of performance are now included in the areas of: Child care, education and training; Justice; Emergency management; Health; Community services; and Housing and homelessness.

There was also a continued expansion of time series reporting in many chapters and inclusion of additional data quality information for many indicators.

Particular improvements in the 2013 Report include:

- early, childhood education and care — the name of the chapter has been changed from ‘Children’s services’, to reflect the scope of the chapter and to align with terminology being used in other COAG activities across the early childhood reform agenda; inclusion of a new measure, the proportion of Indigenous children enrolled and attending preschool, to align with performance data reported for the National Indigenous Reform Agreement (NIRA); inclusion of data on funding provided by the Australian Government to State and Territory governments under the National Partnership for Early Childhood Education (NP ECE); revision of efficiency indicators to include only recurrent funding; revisions to material on licensing and approvals to include data from the most recent Childhood Education and Care Survey, undertaken by the ABS in 2011
- school education — improvements to the presentation of the efficiency indicator ‘recurrent expenditure per student; further developments in the ‘learning outcomes’ indicator
- vocational education and training — reporting the new measure ‘proportion of graduates with improved education/training status after training’; reporting additional data for Qualification Equivalents at certificate levels III or IV and at diploma level and above
- courts — changing the name of the chapter from ‘Court administration’ to ‘Courts’ to reflect the content of the chapter; adding ‘judicial officers per finalisation’ as an efficiency indicator; adding ‘full time equivalent (FTE) staff per finalisation’ and ‘per judicial officer’ as efficiency indicators; including an experimental table of ‘homicide case type’ data for 2011-12
- fire and ambulance services — presenting ten year time series for 14 fire event measures and 11 ambulance service measures (previously five years were

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reported); and presenting 30 year time series for ‘fire event deaths’ to place the impact of emergency events in historical context

- public hospitals — including a new measure of adverse events treated in hospitals under the ‘adverse events in public hospitals’ indicator; including or extending time series data for a number of indicators and descriptive data items
- primary and community health — reporting data for the first time against ‘public dentistry waiting times’; including improved data for ‘management of acute upper respiratory tract infection’; including or extending time series for several indicators
- mental health management — including a new measure on the average length of stay for the ‘cost of inpatient care’ indicator; disaggregating the cost per inpatient bed day measures by program type (acute and non-acute); expanding time series reporting
- aged care — aligning the aged care target population with the funding arrangements specified under the *National Health Reform Agreement*; improving reporting against the Home and Community Care (HACC) equity—access measure for the ‘use by different groups’; disaggregating the ‘elapsed times for aged care services’ indicator by remoteness areas, socio-economic index for areas (SEIFA) and Indigenous status; disaggregating the ‘compliance with service standards for residential aged care’ indicator, by remoteness areas and size of facility; reporting of revised measures for the ‘compliance with service standards for community care’ and ‘complaints resolution’ indicators to reflect changes to the relevant programs
- services for people with disability — reporting a new, more accurate, single potential population and backcasting this for two years of data; including HACC service user data for the age range of the target population of people with disability using specialist disability services; including open employment services (Disability Management Services) measures and data; including new carers’ measures
- child protection and youth services — including expenditure data for family support services; including data on ‘case plans prepared’; including a new measure ‘children in out-of-home care who were the subject of a notification, which was substantiated’; reporting on the unit costs of seven child protection ‘Pathways’ activity groups, compared with five previously; including experimental educational outcomes data for children on orders; including expenditure data for youth justice services
- housing — reporting the new data from the 2012 National Social Housing Survey (NSHS)

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- homelessness services — reporting against a new performance indicator framework for specialist homelessness services, based on the new Specialist Homelessness Services collection, as well as reporting data from the final year of the Supported Accommodation Assistance Program National Data Collection.

The Review continues efforts to improve reporting on the provision of mainstream services to Indigenous Australians. The Indigenous Compendium to the Report, released in April 2013, provides an easily accessible collation of all Indigenous data from the Report.

### *Overcoming Indigenous Disadvantage: Key Indicators*

In 2002, COAG commissioned the Review to produce a regular report on key indicators of Indigenous disadvantage, ‘to help to measure the impact of changes to policy settings and service delivery and provide a concrete way to measure the effect of the Council’s commitment to reconciliation through a jointly agreed set of indicators’ (COAG Communiqué, 5 April 2002). In March 2009, the terms of reference were updated in a letter from the Prime Minister. The new terms of reference align the OID framework with COAG’s six high level targets for Closing the Gap in Indigenous outcomes. The structure of the aligned framework remains very similar to that of previous reports, but highlights the COAG targets and priority areas for reform and includes additional indicators.

The 2011 edition of the OID report was released in August 2011. 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 on average 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.

Following the release of the 2011 report, the Productivity Commission engaged the Australian Council for Educational Research to carry out a review of the report, including extensive consultations with government agencies, researchers and Indigenous organisations across Australia. The review found widespread support for the report, and identified areas for improvement for future reports (ACER 2012). The Steering Committee published its proposed responses to the review recommendations on the PC website. The proposed actions formed the basis of consultations with external stakeholders in mid 2013. The Steering Committee will consider the stakeholder feedback and finalise its responses to the review recommendations, anticipated to be available on the PC website in late 2013. These

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responses will form the basis for directions for the next edition of the report, anticipated to be released in late 2014.

### *Indigenous Expenditure Report*

In 2007, COAG agreed to the reporting of Indigenous expenditure. 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 method and future development process, was endorsed by COAG in July 2009.

The inaugural Indigenous Expenditure Report (released on 28 February 2011) 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.

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 for *Indigenous Expenditure Report* development through its support of the Review Steering Committee.

The second Indigenous Expenditure Report was released on 4 September 2012. Estimates are provided for each level of government, Australia as a whole, and by State and Territory, for 2008-09 and 2010-11.

The 2012 Report was supported by two companion manuals which documented in detail the methods, data sources and interpretation issues underpinning the estimates:

- 2012 Report Expenditure Data Manual
- 2012 Report Service Use Measure Definitions Manual.

Development of the 2014 *Indigenous Expenditure Report* has commenced and this third instalment in the series is expected to be released in late 2014.

### **Quality indicators**

The Commission has a range of quality assurance processes in place for its performance reporting activities. These processes help to ensure that it is using the best information available and the most appropriate methodologies.

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The Commission's work for the Review of Government Service Provision is guided by a Steering Committee. This Steering Committee consists of senior executives from each jurisdiction, chaired by the Chair of the Productivity Commission, and serviced by a secretariat drawn from the staff of the Commission. The Committee, in turn, is supported by 14 national working groups comprising representatives from over 80 government agencies. It also draws on the expertise of bodies such as the ABS and the Australian Institute of Health and Welfare (AIHW), and committees established under Standing Councils and COAG Working Groups.

The Review has an ongoing program of consultation on the *Overcoming Indigenous Disadvantage* report. Following the release of the 2011 report, the Productivity Commission engaged the Australian Council for Educational Research to carry out a review of the report including extensive consultations with government agencies, researchers and Indigenous organisations across Australia.

## **Timeliness**

The 2013 Report on Government Services and its Indigenous Compendium, the *Overcoming Indigenous Disadvantage: Key Indicators 2011*, the six National Agreement reports and four National Partnership reports to the COAG Reform Council were completed on time.

## **Indicators of usefulness**

The usefulness of the Commission's performance reporting activities in contributing to policy making and public understanding is demonstrated by a range of indicators.

### *Report on Government Services*

The key task of the Report on Government Services (RoGS) is to provide information on the equity, effectiveness and efficiency of government services. The RoGS is used extensively in this regard:

- There were 76 mentions of performance information sourced to the 2013 (and earlier) editions of the Report in parliamentary proceedings by government and opposition members in Federal and State parliaments during 2012-13.
- In the 12 month period preceding the release of the 2013 RoGS, previous editions of RoGS were cited in at least 28 publications including: the University of Sydney's Family Medicine Research Centre's paper series; Health and Social Care in the Community; Mental Health in Prisons monitoring and oversight, Monash University, Faculty of Law, International Conference paper; Crime and

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Justice Bulletin; International Journal of Multiple Research Approaches (aged care article); Centre for Independent Studies, Policy Monograph series (health article); Australian Health Review; International Journal of Wildland Fire; The Australian Research Centre in Sex, Health and Society, Monash University; Pace Environmental Law Review; Drug and Alcohol Review; International Journal of Entrepreneurship and Innovation (corrective services); Australian Housing and Urban Research Institute (AHURI) reports (housing); British Journal of Social Work (child protection); Journal of Refugee Studies (justice); Law & Policy; Medical Journal of Australia; BMC Cardiovascular Disorders; Agenda (fire); and Urban Health (health).

Other indicators of usefulness from 2012-13 were:

- high levels of demand, with 1345 bound copies of the 2013 Report distributed by the Commission and more than 18 000 HTML page requests for the Government Service Provision index page on the Commission's website in 2012-13. Earlier editions also continued to be accessed from the website
- extensive media coverage, including 118 press articles drawing on the report in the year to 30 June 2013
- RoGS' data are also used by other researchers in reports: for example, data on child protection and support services were used in the AIHW's report Child Protection Australia (2011-12); expenditure and availability data on GPs were used in an Australian Medical Association media release and presentation by the AMA President (March 2013); data on total cost per casemix adjusted separation (recurrent cost plus Secretariat estimates of capital costs per casemix adjusted separation) were used in the AIHW's Australian Hospital Statistics (2011-12) and financial data in Health Expenditure Australia 2010-11 (September 2012); Victorian Auditor-General Local Government Results of the 2011-12 Audits (November 2012) is based on the RoGS' reporting framework; unit cost and other data were used in AHURI's cost of homelessness and net benefit of housing programs report (April 2013); NSW Auditor-General's financial audit of housing (November 2012) replicates social housing data from RoGS. Similar use of RoGS is evident by citations in, for example: AIHW's Australia's Welfare – forthcoming; COAG Reform Agenda Report on Progress 2012; AIHW and University of NSW National Core Maternity Indicators (March 2013); ABS' National Early Childhood Education and Care Collection Concepts, Sources and Methods, Data Collection Guide Australia 2012 (March 2013); Australian Curriculum and Assessment Reporting Authority's (ACARA) National Report on Schooling; the National Indigenous Drug and Alcohol Committee's Economic Analysis for Aboriginal and Torres Strait Islander Offenders (February 2013); Close the Gap Campaign Steering Committee for

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Indigenous Health Equality's Shadow Report 2013 (February 2013); Victorian Legislative Council Economy and Infrastructure References Committee Inquiry into Commonwealth Payments to Victoria (November 2012); the Sacred Heart Mission's Transitions out of long-term homelessness report (December 2012); National Mental Health Commission's 2012 Report Card on Mental Health and Suicide Prevention (November 2012); AIHW's Aboriginal and Torres Strait Islander (ATSI) identification in community services data collections (November 2012); Review of Funding for Schooling Final Report (released February 2012) included a range of references to RoGS; the office of the Public Advocates Report 2012 from South Australia included a range of RoGS' data; Alliance for Useful Evidence, Lessons from Abroad, International Approaches to Promoting Evidence-Based Social Policy and the ABS National Early Childhood Education and Care Collection: Concepts, Sources and Methods Australia 2012, Data Collection Guide Australia 2012 (March 2013) cited RoGS.

- There is also widespread use of the 2011 (and earlier) reports in OECD committee documents and working papers.

### *Overcoming Indigenous Disadvantage: Key Indicators*

The principal task of the Overcoming Indigenous Disadvantage report is to identify indicators that are of relevance to all governments and Indigenous stakeholders, and that can demonstrate the impact of program and policy interventions. 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 Productivity Commission engaged the Australian Council for Educational Research to review the Overcoming Indigenous Disadvantage report in 2012, including extensive consultation with governments, Indigenous organisations and researchers. Overall, stakeholders had a positive view of the report and its usefulness but suggested that it could be further enhanced by focusing more on strengths and making clearer the involvement of Indigenous people in its development (ACER 2012). The Steering Committee has published its proposed responses to the review recommendations on the PC website. The proposed actions formed the basis of consultations with external stakeholders in mid-2013. The Steering Committee will consider the stakeholder feedback and finalise its responses to the review

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recommendations, anticipated to be available on the PC website in late 2013. These responses will form the basis for directions for the next edition of the report, anticipated to be released in late 2014.

### *National Agreement reporting*

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 (COAG communiqué July 2008). The Steering Committee's role relates to 'overall responsibility for collating the necessary performance data' for National Agreements [para C5(b)]. 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' [para C12].

The main purpose of NA reporting is to support the CRC. The CRC participated in an internal evaluation of the third cycle of NA reporting. Feedback from the Executive Councillor and Head of the CRC secretariat was that the Secretariat's performance was of an 'excellent' standard.

The Secretariat has also provided well-received advice on the National Performance Reporting System to a range of organisations and processes, including:

- advice to the CRC during its drafting of the six National Agreement reports and four National Partnership reports
- advice to the Joint Committee on Parliamentary Accounts and Audit inquiry into national funding agreements
- multiple NA and NP review working groups and NP technical groups.

### *Indigenous Expenditure Report*

The main purpose of the Indigenous Expenditure Report is to provide information on government expenditure on Indigenous-specific and mainstream services for Indigenous Australians.

In May 2013, the Steering Committee and secretariat commenced a series of consultations on the Indigenous Expenditure Report and the Overcoming Indigenous Disadvantage: Key Indicators report. Policy makers, researchers and Indigenous organisations have said that they find the Indigenous Expenditure Report and its accompanying data useful but have requested additional disaggregation of data for policy analysis and comparison with outcomes data in the Overcoming Indigenous Disadvantage: Key Indicators report. Many of the

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additional data of interest to readers (such as disaggregation by remoteness areas or between overheads and direct service delivery) are currently unavailable but the Secretariat, in conjunction with the IER Working Group, will consider options for improving future reporting with jurisdictional support.

## **Competitive neutrality complaints activities**

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) is an autonomous office located within the Commission. It is staffed on a needs basis from the resources of the Commission. As specified in the Productivity Commission Act and the Commonwealth Competitive Neutrality Policy Statement of June 1996, the role of the AGCNCO is to:

- receive and investigate complaints on the application of competitive neutrality to Australian Government businesses, and make recommendations to the Government on appropriate action
- provide advice and assistance to agencies implementing competitive neutrality, including undertaking research on implementation issues.

The AGCNCO aims to finalise most investigations and report to the Assistant Treasurer within 90 days of accepting a complaint although this is dependent, in part, on the timely co-operation of parties related to the complaint. The Office also aims to undertake reporting and associated activities that are of a high standard and useful to government.

### **Activities in 2012-13**

#### *Complaints activity*

The AGCNCO received one formal complaint during 2012-13 (table B.8). It also received a number of inquiries that involved investigative work to determine whether a formal investigation of the complaint should be undertaken. Details of the complaint received, including the action taken, are reported in appendix C.

#### *Advice on the application and implementation of competitive neutrality*

An important role of the AGCNCO is to provide formal and informal advice on competitive neutrality matters and to assist agencies in implementing competitive neutrality requirements. During 2012-13, the AGCNCO provided advice around twice a week, on average, to government agencies or in response to private sector queries either over the telephone or in ad hoc meetings.

The AGCNCO provides advice on all aspects of the implementation of competitive neutrality. Over the past year, in response to requests, the Office provided advice to a number of agencies implementing competitive neutrality policy into their business activities.

The Office also provided advice to a significant number of private sector parties on the arrangements in place for competitive neutrality complaints at the State, Territory and local government levels.

**Table B.9 Formal competitive neutrality complaints, 2008-09 to 2012-13**

<i>Activity</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Written complaints received	0	0	6	4	1
Action:					
New complaints formally investigated	–	–	3 <sup>a</sup>	1	–
Complaints investigated but not proceeding to full report <sup>b</sup>	–	–	3	1	1
Complaints not investigated	–	–	–	2 <sup>d</sup>	–
Reports completed	–	–	–	2	–
Complaints on hand (30 June)	–	–	4 <sup>c</sup>	–	–

<sup>a</sup> These three complaints related to the same matter — the pricing and expected rate of return of NBN Co — and were investigated and reported on (in 2011-12) jointly. <sup>b</sup> Includes: complaints subject to preliminary investigation but for which no prima facie evidence of a breach of competitive neutrality policy was found; and complaints investigated and resolved through negotiation. <sup>c</sup> Includes three complaints relating to the same matter (NBN Co) plus one not proceeding to a full report. <sup>d</sup> The complaints did not relate to an Australian Government business.

## Quality indicators

Competitive neutrality complaint investigations and reporting engage the complainant, the government business in question, the competitive neutrality policy arms of the Australian Government and, as required, the government department within whose policy purview the business resides. The generally favourable feedback from all these parties on the integrity of the process and the usefulness of its outcomes — given that the AGCNCO’s reports assess competing interests — is the strongest evidence of the quality of the AGCNCO’s work.

Where parties who received advice and assistance from the AGCNCO on competitive neutrality policy or its implementation have commented on the operation of the Office, their comments have been favourable.

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Owing to their experience in dealing with competitive neutrality issues, the views of the staff of the AGCNCO on more complex matters are often sought by the Treasury and the Department of Finance and Deregulation — the departments responsible for competitive neutrality policy.

### **Timeliness**

The AGCNCO aims to report on complaint investigations within 90 days of accepting a formal complaint for investigation.

Formal investigations can require the Office to request significant amounts of information from complainants and the government business subject to complaint and, in some instances, extended periods of consultation. The timely co-operation of parties relevant to the complaint can also be variable. In these situations the Office is not always able to meet a 90-day time limit on formally reporting on complaints.

### **Indicators of usefulness**

The AGCNCO circulates its reports and research to State and Territory government agencies responsible for competitive neutrality policy and complaint investigations to facilitate the exchange of information and to share procedural experiences. Feedback from those agencies indicates that the AGCNCO makes a valuable contribution to the effective implementation of nation-wide competitive neutrality policy.

In response to its advice on implementing competitive neutrality as part of market-testing exercises, the AGCNCO understands that agencies have adjusted the estimation of their in-house cost bases in line with the Office's advice.

The AGCNCO continues to receive a range of informal comments suggesting that its outputs are contributing to better public understanding. For example, favourable comments continue to be received from government and private sector agencies on the usefulness of two AGCNCO publications — on cost allocation and pricing, and rate of return issues — in assisting their implementation of competitive neutrality policy. Although released in 1998, these research papers continue to be in demand and use.

During 2012-13 there were close to 7000 external requests to the website for AGCNCO investigation reports and research publications.

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## Supporting research and activities and statutory annual reporting

While much of the Productivity Commission's research activity is determined externally, it has some discretion in meeting its legislative charter to undertake a supporting program of research and to report annually about matters relating to industry development and productivity, including assistance and regulation. The expectations for its supporting research program are that it will provide high quality, policy-relevant information, analysis and advice to governments and the community, of a nature and of a quality not being produced elsewhere. The research program aims to complement the Commission's other activities. The Commission also organises research conferences and workshops in order to advance the debate on policy issues, to encourage cutting-edge contributions, and to facilitate research networks.

The Commission aims to produce research reports which are of a high standard, timely and useful to government and which raise community awareness of microeconomic policy issues.

### Activities in 2012-13

The output of the Commission's annual reporting and supporting research program this year included:

- research to meet the Commission's annual reporting obligations, comprising
  - its annual report for 2011-12, tabled in Parliament on 31 October 2012, which focused on structural adjustment in a 'multi-speed' economy
  - a companion publication on trade and assistance issues, released in June 2013
  - a productivity update, released in May 2013
- the Richard Snape Lecture, *The Future of the Multilateral Trading System*, delivered on 26 November 2012 by Pascal Lamy, Director-General of the World Trade Organization
- Staff Working Papers on trends in income distribution in Australia and forms of work in Australia
- Staff Research Notes on efficiency and effectiveness, sustainability and the influence of natural resource inputs on productivity
- the maintenance of access to resource material on Australia's productivity performance (such as productivity estimates and analytical papers) on the Commission's website

- other projects associated with inquiry and research support, technical research memoranda, assistance to other government departments, conference papers and journal articles.

The research publications produced in the supporting research program in 2012-13 are listed in box B.3. Research projects underway at 30 June 2013 are shown in box B.4..

<b>Box B.3    Supporting research and annual reporting publications, 2012-13</b>	
<b>Annual report suite of publications</b>	
Annual Report 2011-12	Trade & Assistance Review 2011-12
Productivity Monitor	
<b>Conference/workshop proceedings</b>	
Benchmarking in Federal Systems	
Better Indigenous Policies: The Role of Evaluation	
<b>Staff working papers</b>	
Trends in the Distribution of Income in Australia	Forms of Work in Australia
<b>Staff research notes</b>	
On Efficiency and Effectiveness: some definitions	On Sustainability: an economic approach
On Productivity: the influence of natural resource inputs	
<b>2012 Richard Snape Lecture</b>	
The Future of the Multilateral Trading System (Pascal Lamy)	

### *Richard Snape Lectures*

The presentation by Pascal Lamy, Director General of the World Trade Organization, was the tenth in a series of public lectures in memory of Professor Richard Snape, the former Deputy Chair of the Commission, who died in October 2002. The series has been conceived to elicit contributions on important public policy issues from internationally recognised figures, in a form that is accessible to a wider audience. Previous lectures have been delivered by Max Corden, Anne Krueger (First Deputy Managing Director of the IMF, 2001–2006), Martin Wolf

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**Box B.4 Supporting research projects underway at 30 June 2013**

Efficiency pricing of urban passenger transport	Productivity in manufacturing
Valuing non-market outcomes in policy analysis	Competition in managed markets: healthcare
Interactions between trade and employment in Australia	Prevalence of transition pathways in the Australian labour market
Social Housing Service Delivery	Structural change in Australia: drivers and implications

Information on individual research projects is available from the Commission's website, [www.pc.gov.au](http://www.pc.gov.au).

(associate editor and chief economics commentator at the Financial Times), Deepak Lal (James Coleman Professor of International Development Studies, University of California at Los Angeles), Patrick Messerlin (Director, Groupe d'Economie Mondiale, Institute d'Etudes Politiques de Paris), Vittorio Corbo (Governor of the Central Bank of Chile, 2003–2007), Professor Yu Yongding (Professor and former Director-General of the Institute of World Economics and Politics at the Chinese Academy of Social Sciences in Beijing), Dr Mari Pangestu, Indonesia's Minister for Trade, and Dr Roberto Newell (a former senior partner at McKinsey and the inaugural President of the Mexican Institute for Competitiveness).

The next lecture will be given by Professor Arvind Panagariya of Columbia University.

### *Supporting research proposals*

Supporting research proposals throughout the year were considered against the Commission's intention that the program continue to emphasise the sustainability of productivity improvements — including environmental and social aspects — and encompass work on:

- productivity and its determinants (including the scope for 'catch-up'; infrastructure; assistance to industry; barriers to trade, both domestic and international; and the performance and governance of government trading enterprises)
- environmental and resource management, especially of water and its infrastructure (urban as well as rural)

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- labour markets (including health and education, and distributional and other social dimensions)
  - the development of economic models and frameworks (including behavioural economics) to aid the analysis of policies and trends, and of impediments to sustained improvements in living standards (PC 2006a).

The Commission sees value in the ‘public good’ aspect of its research and promotes dissemination of its work through publications, internet access and presentations. Summary findings from supporting research publications and details of the 59 presentations given by the Chair, Commissioners and staff in 2012-13 are provided in appendix E.

### **Quality indicators**

The quality of the Commission’s supporting research projects is monitored through a series of internal and external checks.

The staff working paper on trends in the distribution of income in Australia, for example, used a number of internal and external quality checks including:

- consultations with relevant external experts at the outset of the project
- the use of internal and external referees, including referees from the University of Melbourne and the Australian National University.

Research projects can involve consultations with key interested parties on the issues they view as important and to obtain access to information. Research is also monitored internally as it progresses, and staff seminars expose research to peer review as it develops. Some research-in-progress is also tested through external checks, such as seminars and conferences.

Generally, drafts of research reports are refereed externally. Referees are chosen both for their expertise on a topic and to reflect a range of views. Referees for staff working papers in 2012-13 were drawn from: the Australian National University, the University of Melbourne and the University of Sydney.

Further evidence of the quality and standing of the Commission’s supporting research program is found in the following:

- invitations from the OECD and the WTO during the year to discuss regulatory reform, trade reform and the results of recent productivity research
- an invitation to assist Vietnam’s APEC project on public infrastructure investment projects

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- invitations during the year for the Commission to be a research partner in ARC linkage projects
  - the large number of international delegations and visitors in 2012-13 that visited the Commission to discuss aspects of its research program and findings (table E. 2).

## **Timeliness**

The Commission's annual report for 2011-12, which included a theme chapter on structural adjustment in a 'multi-speed' economy, was completed on schedule on 18 October 2012 and tabled in Parliament on 31 October 2012. The annual report companion volume (*Trade & Assistance Review 2011-12*), and most other supporting research publications listed in box B.4, met completion schedules set by the Commission.

## **Indicators of usefulness**

Evidence of the usefulness of the Commission's supporting research and annual reporting activities in contributing to policy making and to public awareness of microeconomic reform and regulatory policy issues is available from a range of indicators. These cover the use of this research by government, community and business groups and international agencies, and invitations to discuss and disseminate its research findings in community and business forums. Examples from 2012-13 include the following:

- Continued use of the Commission's productivity research was apparent during the year. For example, Commission research on productivity in the mining industry (Topp, Soames, Parham and Bloch 2008) was used in a speech by Dr David Gruen from Treasury on the importance of productivity (Gruen 2012); use of the Commission's submission to the House of Representatives Economics Committee inquiry into productivity growth (PC 2009n) in a report into Australia's national innovation system (Australian Government 2012d); use of research on productivity in electricity, gas and water (Topp and Kulys 2012) in a report on electricity generation by the Bureau of Research and Energy Economics (Stanwix 2012); and use of a range of Commission productivity research in an OECD paper on boosting productivity in Australia (Koutsogeorgopoulou and Barbiero 2013).
- Research on environmental topics also continued to be widely used throughout the year. This included use of research on private conservation initiatives (Byron, Holland and Schuele 2001) in an ABARES report on Australia's forest

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genetic resources (Singh et. al. 2013); use of the Commission's 2008 submission to the Garnaut Review (PC 2008d) in a review of the Renewable Energy Target by the Independent Pricing and Regulatory Tribunal of New South Wales (IPART 2012); and use of a 2004 Commission Research Paper on assessing environmental regulatory arrangements for aquaculture (PC 2004g) in a House of Representatives Committee report on fisheries and aquaculture (House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry 2012).

- A range of research by the Commission on social issues also featured prominently during the year. For example, research on the effects of education and health on wages and productivity (Forbes et. al. 2010) was used in a report on student outcomes in schools (Price Waterhouse Coopers 2012); and the staff working paper on income distribution in Australia (Greenville, Pobke and Rogers 2013) was used in a report on the same topic (Baker 2013).
- The OECD also continued to use a wide range of Commission research during the year. For example, a paper on distribution services (OECD 2012b) drew on a staff research paper on restrictions on trade in distribution services (Kalirajan 2000); a paper on Australian manufacturing in the global economy (OECD 2012d) drew on a range of Commission productivity research outputs; and a paper on water security (OECD 2013b) drew on a staff working paper on modelling water trade (Peterson et. al. 2004).
- Examples of the use of supporting research outputs in the work of federal parliamentary committees and the Parliamentary Library are provided in tables B.1 and B.2, respectively.

More generally, important means by which supporting research activities contribute to public debate are through media coverage, the dissemination of reports to key interest groups and ready access to reports on the Commission's website. Outputs from the Commission's supporting research program attracted four editorials in major newspapers in 2012-13. To 30 June 2013, for the reports listed in box B.3, there were more than 30 000 external requests for the index pages on the Commission's website. There was a total of more than 144 000 external requests for the 48 supporting research reports for which website usage was tracked, and more than 12 600 requests for speeches by the Commission's Chair.



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## C Competitive neutrality complaints

**The Productivity Commission Act and the Australian Government's Competitive Neutrality Policy Statement require the Commission to report annually on the number of complaints it receives about the practices of government businesses and business activities and the outcomes of its investigations into those complaints. The Australian Government Competitive Neutrality Complaints Office (AGCNCO) received one formal complaint in 2012-13. Details of the investigation and action taken in relation to this complaint is summarised in this appendix.**

The AGCNCO received one formal written complaint in 2012-13. The complaint was in relation to Australia Post's Rockhampton Mail Centre. The complaint was not formally investigated.

### **Australia Post's Rockhampton Mail Centre**

A complaint was received from Rockhampton Regional Council on 28 August 2012 regarding planning exemptions available to Australia Post and resulting concerns about operational noise from Australia Post's Rockhampton Mail Centre.

Preliminary investigations found that the core issue of the complaint was the operational noise from the Rockhampton Mail Centre rather than whether Australia Post had a competitive advantage over its actual or potential competitors due to exemptions from planning requirements.

In the interest of resolving the noise issue underlying the complaint, the AGCNCO recommended that Rockhampton Regional Council and Australia Post seek to resolve the issue directly.

Australia Post confirmed with the AGCNCO that it was willing to seek a resolution on the operational noise issues with the affected parties. Australia Post also provided the AGCNCO with a list of actions taken over several years to ameliorate operational noise from the Rockhampton Mail Centre.

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The AGCNCO suggested that, through coordination from the Rockhampton Regional Council, a meeting be arranged between Australia Post and the affected parties. The AGCNCO provided the relevant contact details to Rockhampton Regional Council.

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## D Government commissioned projects

**A broad indicator of the quality and impact of the Commission's work is provided by the nature and breadth of the public inquiries and research studies which it is requested by governments to undertake. The acceptance rate of the Commission's findings and recommendations provides a further broad indicator of quality and impact.**

**This appendix updates information provided in previous annual reports on public inquiries and other projects specifically commissioned by the Government. It includes summaries of terms of reference for new inquiries and projects, and the principal findings and recommendations from reports which have been released, together with government responses to those reports.**

The Productivity Commission is required to report annually on the matters referred to it. This appendix provides a summary of projects which the Government commissioned during the year and government responses to reports completed in 2012-13 and previous years. It also reports on commissioned projects received since 30 June 2013.

This appendix is structured as follows:

- terms of reference for new government-commissioned inquiries and studies
- reports released and, where available, government responses to them
- government responses to reports from previous years.

Table D.1 summarises activity since the Commission's 2011-12 annual report and indicates where relevant information can be found.

Table D.1 **Stage of completion of commissioned projects and government responses to Commission reports**

<i>Date received</i>	<i>Title</i>	<i>For terms of reference see</i>	<i>Stage of completion</i>	<i>Major findings/ recommendations</i>	<i>Government response</i>
<b>Inquiries</b>					
1-9-11	Australia's Export Credit Arrangements	AR 10-11	Report completed 31 May 2012	AR 11-12	page 144
20-9-11	Climate Change Adaptation	AR 10-11	Report completed 19 September 2012	page 131	page 132
9-1-12	Electricity Network Regulation	AR 11-12	Report completed 9 April 2013	page 133	page 136
6-2-12	Default Superannuation Funds in Modern Awards	AR 11-12	Report completed 5 October 2012	page 136	na
29-6-12	Compulsory Licensing of Patents	AR 11-12	Report completed 28 March 2013	page 138	page 139
27-9-12	Mineral and Energy Resource Exploration	page 125	in progress	na	na
25-10-12	National Access Regime	page 126	in progress	na	na
21-6-13	Access to Civil Justice	page 129	in progress	na	na
25-6-13	Import of Processed Tomato Products	page 130	in progress	na	na
25-6-13	Import of Processed Fruit Products	page 130	in progress	na	na
<b>Other commissioned projects</b>					
28-2-12	Regulation Impact Analysis: Benchmarking	AR 11-12	Report completed 28 November 2012	page 140	na
14-3-12	Strengthening Australia New Zealand Economic Relations	AR 11-12	Report completed 30 November 2012	page 141	na
11-5-12	COAG Regulatory and Competition Reforms	AR 11-12	Report completed 29 June 2012	na	na
7-12-12	Major Project Development Assessment Processes	page 126	in progress	na	na
7-12-12	Regulation Benchmarking: Regulator Engagement with Small Business	page 128	in progress	na	na
21-5-13	Geographic Labour Mobility	page 128	in progress	na	na

Note: References are to previous annual reports (AR) of the Productivity Commission.

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## Terms of reference for new projects

This section outlines the terms of reference for commissioned projects received since the Commission's annual report for 2011-12, which are in progress or for which the report has not yet been released. Full terms of reference are available on the Commission's website and in the relevant reports.

### Mineral and Energy Resource Exploration

On 27 September 2012, the Assistant Treasurer and Minister Assisting for Deregulation, the Hon. David Bradbury, asked the Commission to undertake an inquiry into the non-financial barriers to mineral and energy resource exploration.

The Terms of Reference require the Commission to:

- determine if there is evidence of unnecessary regulatory burden and if there is, make recommendations on how to reduce or eliminate these burdens
- examine the complexity and time frames of government approvals processes for exploration, and potential for delay due to appeals both within and across jurisdictions
- examine areas of duplication between and within Local, State, Territory and Commonwealth regulation that can be triggered throughout an exploration project
- examine costs of non-financial barriers (including regulatory and related costs)
- consider options to improve the regulatory environment for exploration activities, having regard to regulatory objectives
- assess the impact of non-financial barriers on international competitiveness and economic performance of Australia's exploration sector.

The Terms of Reference identify certain exclusions in relation to:

- local, state, territory and Commonwealth taxation and fiscal policy
- the Government's response to the Report of the Independent Review of the Environment Protection and Biodiversity Conservation Act 1999
- processes under the Commonwealth's *Native Title Act 1993*, the *Aboriginal Land Rights (Northern Territory) Act 1976* or state Indigenous land rights regimes.

The Commission is required to provide a final report to Government within twelve months of receipt of the reference.

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## **National Access Regime**

The Australian Government asked the Commission on 25 October 2012 to undertake a 12 month inquiry into the National Access Regime. The Regime is intended to promote the economically efficient operation of, use of and investment in the infrastructure by which services are provided, thereby promoting effective competition in upstream and downstream markets.

As part of the National Reform Agenda, the Council of Australian Governments signed the Competition and Infrastructure Reform Agreement (CIRA) to provide for a simpler and more consistent national system of economic regulation for nationally significant infrastructure, including for ports, railways and other key infrastructure. Clause 8.1 of the CIRA provides that once it has operated for five years, the Parties will review its operation and terms.

In reporting on the Regime and the CIRA, the Commission is to:

- examine the rationale, role and objectives of the Regime, and Australia's overall framework of access regulation
- assess the performance of the Regime in meeting its rationale and objectives
- report on whether the implementation of the Regime adequately ensures that its economic efficiency objectives are met
- provide advice on ways to improve processes and decisions for facilitating third party access to essential infrastructure
- review the effectiveness of the reforms outlined in the CIRA, and the actions and reforms undertaken by governments in giving effect to the CIRA
- comment on other relevant policy measures, including any non-legislative approaches, which would help ensure effective and responsive delivery of infrastructure services over both the short and long term.

As part of its inquiry, the Commission is to undertake an appropriate public consultation process including holding hearings, inviting public submissions and releasing a draft report.

## **Major Project Development Assessment Processes**

On 7 December 2012, the Australian Government asked that the Commission undertake a study to benchmark Australia's major project development assessment processes against international best practice.

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The study is to consider the extent to which major project development assessment processes across all levels of government affect the costs incurred by business, deliver good regulatory outcomes for the public and provide transparency and certainty to promote business investment.

As part of its study, the Commission has been asked to:

- examine the regulatory objectives and key features of Australia's major project development assessment processes at all levels of government, including the interactions between levels of government, the role of facilitation, the capacities and resources of the institutions involved and significant variations between jurisdictions
- examine the regulatory objectives and key features of comparable international systems with respect to major project development assessment processes
- identify critical elements of development assessment processes and compare these to assess the extent to which different decision-making approaches in Australian jurisdictions and alternative investment destinations overseas have a material impact on costs, timeliness, transparency, certainty and regulatory outcomes
- examine the strategic planning context for major project approvals in Australia and in comparable international systems
- identify best practice and against this benchmark evaluate jurisdictional approaches, such as one-stop shops and statutory timeframes, to make recommendations to improve Australia's processes, both within and between jurisdictions, by reducing duplication, removing unnecessary complexity and regulation, and eliminating unnecessary costs or unnecessarily lengthy timeframes for approvals processes
- assess mechanisms for 'scaling' regulatory requirements relative to project size and the expected benefits against the potential environmental, social, economic and other impacts
- compare the efficiency and effectiveness with which Australian approvals processes achieve the protection of social, economic, heritage, cultural and environmental assets compared with comparable international systems.

The Commission is required to provide its final report within twelve months.

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## **Regulation Benchmarking: Regulator Engagement with Small Business**

The Australian Government, with the agreement of COAG's Business Regulation and Competition Working Group, requested on 7 December 2012 that the Commission undertake a nine month benchmarking study into regulator engagement with small business.

The purpose of the study is to identify leading practices in regulator engagement and determine whether there are opportunities for adoption of these practices to reduce the compliance burden on small business, while sustaining good regulatory outcomes. Specifically, the Commission has been asked to:

- provide evidence on the variety of approaches used by regulators to engage with small business
- assess the effectiveness of different approaches and identify leading practices, including in overseas jurisdictions, considering:
  - the balance of facilitative, educative and compliance based approaches, including the use of risk-based compliance and enforcement strategies
  - whether approaches appropriately consider the characteristics of small business
  - the extent to which regulatory engagement approaches vary with the nature and objectives of regulations and with the way the regulatory regime is defined by policy makers
  - how the use of particular engagement approaches might shape regulatory culture.
- identify the levels of assistance and education provided to small businesses and assess whether such assistance could be better targeted to lower compliance costs for small business and improve the administrative efficiency of meeting regulatory objectives.

The Commission has also been directed to determine a definition of what constitutes a small business, since inconsistent criteria are currently adopted across different regulators and jurisdictions.

## **Geographic Labour Mobility**

On 21 May 2013, the Australian Government asked the Commission to undertake a research study assessing geographic labour mobility within Australia and its role in a well-functioning labour market.

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The principal objective of the study is to examine patterns of mobility, impediments and enablers, and their effect on the ability to meet Australia's continually changing workforce and employment needs.

The Terms of Reference ask that as part of the study the Commission:

- examine patterns and trends in geographic mobility, their relative contribution to regional labour supply, and the implications of structural, demographic and technological developments
- identify the key determinants and drivers of mobility, including the costs and benefits from the perspectives of businesses, individuals, their families and governments, any differences in the determinants and drivers of mobility between groups, and an assessment of the effectiveness of market signals, such as wages
- identify the major impediments to geographic mobility to support economic adjustment, employment and productivity outcomes
- assess the current strategies used by employers and governments that affect geographic mobility, and discuss possible options to enable further mobility
- estimate the prospective economy-wide impacts of reducing impediments to geographic mobility.

The Commission is required to provide its final report within twelve months.

### **Access to Civil Justice**

On 21 June 2013 the Australian Government asked the Commission to undertake an inquiry into Australia's system of civil dispute resolution, with a focus on constraining costs and promoting access to justice and equality before the law.

The Terms of Reference for the inquiry require the Commission to have regard to:

- the real costs of legal representation and trends over time
- the level of demand for legal services
- factors that contribute to the cost of legal representation in Australia
- whether the costs charged for accessing justice services and for legal representation are generally proportionate to the issues in dispute
- the impact of the costs of accessing justice services, and securing legal representation, on the effectiveness of these services

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- the economic and social impact of the costs of accessing justice services and securing legal representation
  - the impact of the structures and processes of legal institutions on the costs of accessing and utilising these institutions, including analysis of discovery and case management processes
  - alternative mechanisms to improve equity and access to justice and achieve lower cost civil dispute resolution, in both metropolitan areas and regional and remote communities, and the costs and benefits of these
  - reforms in Australian jurisdictions and overseas which have been effective at lowering the costs of accessing justice services, securing legal representation and promoting equality in the justice system
  - data collection across the justice system that would enable better measurement and evaluation of cost drivers and the effectiveness of measures to contain these.

The Commission will report within fifteen months of receipt of the Terms of Reference.

### **Safeguards Inquiries into the Import of Processed Tomato and Processed Fruit Products**

The Commission was requested on 21 June 2013 to undertake two inquiries into whether safeguard action is warranted against imports of processed tomato products and processed fruit products.

The inquiries are to be undertaken in accordance with the World Trade Organization (WTO) safeguard investigation procedures published in the Gazette of S297 of 25 June 1998, as amended by GN39 of 5 October 2005.

The Commission is to report on:

- whether conditions are such that safeguard measures would be justified under the WTO Agreement;
- if so, what measures would be necessary to prevent or remedy serious injury and to facilitate adjustment;
- and whether, having regard to the Government's requirements for assessing the impact of regulation which affects business, those measures should be implemented.

In undertaking the inquiries, the Commission is to consider and provide accelerated reports on whether critical circumstances exist where delay in applying measures

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would cause damage which it would be difficult to repair. If such circumstances exist, and pursuant to a preliminary determination that there is clear evidence that increased imports have caused or are threatening to cause serious injury, the Commission is to recommend what provisional safeguard measures (to apply for no more than 200 days) would be appropriate.

The Commission is to provide the accelerated reports to the Government as soon as possible but not later than 3 months and final reports within 6 months of receipt of the references.

## **Reports released by the Government**

This section summarises the main findings and recommendations of inquiry and research reports which have been released by the Government in the period to X September 2013. It includes terms of reference for those projects commenced and completed in that period and, where available, government responses.

## **Barriers to Effective Climate Change Adaptation**

Inquiry Report No. 59 signed 18 September 2012, report released 14 March 2013.

The Commission's main findings and recommendations were:

- Australia's climate is changing and will continue to do so for the foreseeable future.
- Changes in the frequency, intensity, location and timing of extreme weather events are likely to be how most Australians experience climate change.
- Adaptation to these changes, and the effects of more gradual climate change, will occur over time as households, businesses, governments and communities respond to incentives to manage the climate (and other) risks they face.
- However, a number of policy and regulatory barriers may inhibit adaptation responses, suggesting the potential for government action to improve outcomes for the community.
- Governments at all levels should:
  - embed consideration of climate change in their risk management practices
  - ensure there is sufficient flexibility in regulatory and policy settings to allow households, businesses and communities to manage the risks of climate change.

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- A range of policy reforms would help households, businesses and governments deal with current climate variability and extreme weather events. These reforms would also build adaptive capacity to respond to future climate impacts. Examples include:
    - reducing perverse incentives in tax, transfer and regulatory arrangements that impede the mobility of labour and capital
    - increasing the quality and availability of natural hazard mapping
    - clarifying the roles, responsibilities and legal liability of local governments, and improving their capacity to manage climate risks
    - reviewing emergency management arrangements in a public and consultative manner, to better prepare for natural disasters and limit resultant losses
    - reducing tax and regulatory distortions in insurance markets.
  - Further actions are required to reduce barriers to adaptation to future climate trends and to strengthen the climate change adaptation policy framework. These include:
    - designing more flexible land use planning regulation
    - aligning land use planning with building regulation
    - developing a work program to consider climate change in the building code
    - conducting a public review, sponsored by the Council of Australian Governments, to develop appropriate adaptive responses for existing settlements that face significant climate change risks.
  - Some measures should not be implemented, as the costs would exceed the benefits.
    - Household insurance subsidies, or insurance regulations that impose net costs.
    - Systematically reviewing all regulation to identify impediments to adaptation.
    - Mandatory reporting of adaptation actions.
  - Some individuals and communities are likely to face greater challenges in adapting than others, implying a role for the tax and transfer system.

### *Government decision*

In March 2013, the Australian Government released its response to the report (Australian Government 2013b). Of the twelve recommendations made by the

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Commission, the Government agreed with three, provided in-principle agreement with seven, and noted a further two.

The Government agreed on the Commission's recommendations regarding information provision, not requiring insurers to offer mandatory flood cover, and not subsidising insurance.

- On insurance, the Government stated that it would not proceed with an earlier proposal to require all household insurers to offer flood cover, and drew attention to recently committed funding for flood mitigation. It also stated that it would not adopt a proposal for government-backed flood reinsurance and premium discounts from the 2011 Natural Disaster Insurance Review.
- On information, the Government highlighted previously announced initiatives to establish a National Flood Risk Information Project and a National Insurance Affordability Council (to coordinate flood risk management).

The Government agreed in principle to recommendations on assessing reform options, improving the flexibility of the economy, listing local governments' regulatory roles, clarifying local government legal liability, adopting flexible land-use planning, considering climate change in the building code and phasing out state insurance taxes.

Recommendations to review ways to manage risks to existing settlements, and on disaster mitigation and recovery, were noted.

While the Government provided broad agreement with the report, it did raise concerns regarding the Commission's treatment of 'cognitive barriers' to adaptation, stating:

The Productivity Commission's insight into the potential barriers in the uptake of climate change adaptation measures — in particular cognitive barriers beyond information provision and use — may need further development. (Australian Government 2013b, p. 1)

## **Electricity Network Regulation**

Inquiry Report No. 62 signed 9 April 2013, report released 26 June 2013.

The Commission's main findings and recommendations were:

- Average electricity prices have risen by 70 per cent in real terms from June 2007 to December 2012. Spiralling network costs in most states are the main contributor to these increases, partly driven by inefficiencies in the industry and flaws in the regulatory environment.

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- These flaws require a fundamental nationally and consumer-focused package of reforms that removes the interlinked regulatory barriers to the efficiency of electricity networks. Reforms made in late 2012, including improvements to the regulatory rules, better resourcing of the regulator and greater representation of consumers, have only partly addressed these flaws.
  - Resolving benchmarking and interconnector problems will be a worthwhile addition to these recent reforms. But there remains a need for further significant policy changes to make a substantive difference to future electricity network prices, and to produce better outcomes for consumers — the latter being the primary objective of the regulatory arrangements. The changes needed include:
    - modified reliability requirements to promote efficiency
    - improved demand management
    - more efficient planning of large transmission investments
    - changes to state regulatory arrangements and network business ownership
    - adding some urgency to the existing tardy reform process. The Standing Council on Energy and Resources needs to accelerate reforms — particularly for reliability and planning — which have been bogged down by successive reviews. Delays to reform cost consumers across the National Electricity Market (NEM) hundreds of millions of dollars.
  - The gains from a package of reforms are significant. Indicative estimates suggest:
    - in New South Wales alone, \$1.1 billion in distribution network capital expenditure could be deferred until the next five year regulatory period by adopting a reliability framework that takes into account consumers' preferences for reliability. The actual savings are likely to be larger
    - adopting a different reliability framework for the transmission network could generate large efficiency gains in the order of \$2.2 billion to \$3.8 billion over 30 years
    - if carefully implemented, critical peak pricing and the rollout of smart meters could produce average savings of around \$100–\$200 per household each year in regions with impending capacity constraints (after accounting for the costs of smart meters).
  - Reliability is critical to electricity networks, but some consumers are forced to pay for higher reliability than they value.
    - Reliability decisions should be based on trading off the costs of achieving them against what customers are willing to pay, rather than by prescriptive (sometimes politically influenced) standards.

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- A large share (in New South Wales, some 25 per cent) of retail electricity bills is required to meet a few (around 40) hours of very high (‘critical peak’) demand each year. Avoiding this requires a phased and coordinated suite of reforms, including consumer consultation, the removal of retail price regulation, and the staged introduction of smart meters, accompanied by time based pricing for critical peak periods.
    - This would defer costly investment, ease price pressures on customers, and reduce the large hidden cross subsidies effectively paid by (often lower income) people who do not heavily use power in peak times, to those who do.
  - Rolling out smart meters would also produce major savings in network operating costs — such as through remote meter reading and fault detection.
    - The Commission is proposing a process that learns from the experience of the Victorian smart meter rollout, and that will genuinely benefit consumers.
  - State-owned network businesses have conflicting objectives, which reduce their efficiency and undermine the effectiveness of incentive regulation. Their privately-owned counterparts are better at efficiently meeting the long term interests of their customers.
    - State-owned network businesses should be privatised.
  - The efficiency and effectiveness of recently announced reforms could be enhanced.
    - Given their overlapping roles, the three fully-funded consumer advocacy bodies in the NEM should be ultimately amalgamated into a single statutory body that would act on behalf of all consumers. It should be fully funded through an industry levy, and have the required expertise to play a leading, but not exclusive, role in representing customers in all regulatory processes. Partial funding — on a contestable basis — should continue for individual advocacy groups.
    - A review of the Australian Energy Regulator is proposed for 2014. The Australian Energy Market Commission, the Australian Energy Market Operator and the new consumer representative body should also be reviewed by 2018 so that the scope for improvement in all of the main NEM institutions will have been assessed.
  - At this stage, benchmarking — which compares the relative performance of businesses — is too unreliable to set regulated revenue allowances. Nevertheless, greater and more effective use of benchmarking could better inform the regulator’s decisions.

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- There is no evidence of insufficient capacity in the interconnectors carrying power between jurisdictions, as is sometimes alleged. In fact, they are sometimes underutilised because of perverse incentives and design flaws created by the regulatory regime. Changes to the National Electricity Rules should address these problems.
  - In considering the benefits for consumers, it is important not to blame network businesses for the current inefficiencies. Mostly, they are responding to regulatory incentives and structures that impede their efficiency.

### *Government decision*

On 26 June 2013 the Australian Government released its response to the report (Australian Government 2013d). The response supported 13 of the Commission's recommendations, provided in principle support for a further 21 recommendations, and supported in part 12 recommendations. A further 15 recommendations were noted and 2 recommendations were not supported.

The response covered recommendations on a broad range of topics, including benchmarking, interconnectors, network ownership, demand management, reliability standards, governance of National Electricity Market institutions, consumer involvement and timeliness in decision making and rule changes.

While generally supportive of the Commission's approach, the response also emphasised the reform work currently underway across jurisdictions, and stated that:

The Commission's report is a contribution to a long running and broad energy market reform program, which has been substantially redefined during the course and conclusion of this inquiry... This reform agenda addresses many of the issues raised in the Commission's Final Report. However, the success of this package is contingent on all jurisdictions delivering on the reform milestones agreed by to ensure the benefits of reform flow through to consumers as quickly as possible. (Australian Government 2013d, p. i).

### **Default Superannuation Funds in Modern Awards**

Inquiry Report No. 60 signed 5 October 2012, report released 12 October 2012.

The Commission's main findings and recommendations were:

- Default superannuation arrangements for those employees who derive their default superannuation product in accordance with modern awards have provided market stability, and net returns of default funds have generally

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exceeded those of non default funds. However, the arrangements could be improved.

- The primary principle governing default superannuation arrangements for modern awards should be the promotion of the best interests of employees.
  - The selection of default products for awards should be merit rather than precedent based, and should encourage improved performance through competition.
- The criteria that the Australian Prudential Regulation Authority will use for MySuper product authorisation provide a first filter for the selection of products.
- The Commission recommends a set of non-prescriptive factors to be considered as a second stage ‘quality filter’ when selecting default products for modern awards.
  - The factors relate to: investment objectives and performance (as primary factors); fees and costs; governance practices (particularly mechanisms in place to deal with conflicts of interest); insurance; intra-fund advice; and administrative efficiency.
- The process for the selection and ongoing assessment of default products in modern awards should be reformed. Decisions on the listing of default products should be made by a new Default Superannuation Panel within Fair Work Australia (FWA).
  - The panel should consist of the FWA President (or delegate) and an equal number of full-time members of the tribunal and part-time independent members appointed for their expertise in finance, investment management or superannuation advisory services.
  - The part-time members should not be representatives of organisations or parties to awards, but should be appointed as independent members based on expertise.
- Superannuation funds should be given standing to apply to, and be directly heard by, the panel, in order to have their products assessed for listing in modern awards. The panel should transparently assess cases on their merits, using the factors identified by the Commission, and any other factors deemed relevant by the panel.
- The panel should list all MySuper products for each modern award that meet the factors for consideration (which may prove to be a long list). No express limit should be placed on the number of products that may be listed in any given modern award.

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- The panel should identify in each modern award, wherever possible, a small subset of those listed products judged as best meeting the interests of the relevant employees.
  - The panel should conduct ongoing assessments and undertake a periodic wholesale reassessment of the products listed in modern awards.
  - The process should apply at least for the medium term, given the uncertainty regarding the number, mix and quality of MySuper products to be offered from 2013.
    - The process should be reviewed in 2023 and this review should include consideration of the appropriateness of allowing employers to select any MySuper product as a default superannuation product.

## **Compulsory Licensing of Patents**

Inquiry Report No. 61 signed 28 March 2013, report released 27 May 2013.

The Commission's main findings and recommendations were:

- Like most countries, Australia has legislated a system of compulsory licensing so that patent owners can be compelled to license their inventions to others in a limited range of circumstances.
- Survey data and participants' comments confirm that this is a safeguard which only needs to be invoked in exceptional cases. In response to surveys, patent owners indicate that often they would prefer to license more than they do.
- There have been few applications for a compulsory licence in Australia, and none have been successful. While this is consistent with its status as a rarely needed safeguard, another factor may be the costly and time-consuming process involved in obtaining a compulsory licence order from the Federal Court.
- There are no clear alternatives to the Federal Court that would make compulsory licence applications significantly less costly and time consuming, without also raising concerns about the quality of outcomes and scope for appeals.
- There is, however, a clear case to reform the criteria for a compulsory licence.
  - There are currently provisions in both the *Competition and Consumer Act 2010* (Cwlth) and *Patents Act 1990* (Cwlth) to address anticompetitive behaviour. To remove overlap and inconsistency, when a patent is used to engage in unlawful anticompetitive conduct, a compulsory licence should only be available under the Competition and Consumer Act.

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- A public interest test should replace existing criteria based on the ‘reasonable requirements of the public’ in the Patents Act. This would provide an access regime when greater use of a patented invention would deliver a substantial net benefit to the community.
  - To reduce uncertainty about international treaty obligations on compulsory licensing, the existing general requirement in the Patents Act to satisfy such obligations should be deleted, and the obligations should be incorporated directly into the Patents Act or its subordinate legislation.
  - To improve awareness of compulsory licensing, IP Australia and the ACCC should jointly develop a plain English guide and make it available on their websites.
  - The Patents Act contains a less costly and time-consuming alternative to compulsory licensing — termed ‘Crown use’ — that can be invoked when an invention is used for the services of a government. Two key reforms are proposed in this regard.
    - To reduce uncertainty about the scope of Crown use, the Patents Act should be amended to make it clear that Crown use can be invoked for the provision of a service that the Australian, State and/or Territory Governments have primary responsibility for providing or funding.
    - To improve transparency and accountability, governments should be required to first seek a negotiated outcome, and publicly state the reasons for invoking Crown use in advance, except in emergencies. Governments should in all cases be required to obtain Ministerial approval to invoke Crown use, and be subject to the same pricing principles as for compulsory licensing.

### *Government decision*

On 30 May 2013, the Parliamentary Secretary for Climate Change, Industry and Innovation, the Hon. Yvette D’Ath MP, introduced the Intellectual Property Laws Amendment Bill 2013 into Parliament. The aim of the Bill was to clarify the operation of Crown use provisions in the *Patents Act 1990*, in line with recommendations made in the Commission’s report.

In announcing the introduction of the Bill, the Parliamentary Secretary stated:

The announcement follows the release of the Productivity Commission’s Report on Compulsory Licensing of Patents which found there was uncertainty around the scope of current Crown use provisions, particularly in the context of healthcare. (D’Ath 2013)

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## Regulation Benchmarking: Regulatory Impact Analysis

Research Report completed 28 November 2012, report released 13 December 2012.

The Commission's main findings and recommendations were:

- Regulatory impact analysis (RIA) requirements in all Australian jurisdictions are reasonably consistent with OECD and COAG guiding principles. However, shortcomings in system design and a considerable gap between agreed RIA principles and what happens in practice are reducing the efficacy of RIA processes.
  - The number of proposals with highly significant impacts that are either exempted from RIA processes or are not rigorously analysed is a major concern.
  - Public consultation on policy development is often perfunctory or occurs only after development of draft legislation.
  - Public transparency — through advising stakeholders of revisions to policy proposals and information used in decision making, or provision of reasons for not subjecting proposals to impact analysis — is a glaring weakness in most Australian RIA processes.
- While RIA processes have brought some isolated but significant improvements from more thorough consideration of policy options and their impacts, the primary benefits of RIA have been forfeited through a lack of ministerial and agency commitment.
  - One of the main challenges in implementing RIA requirements is the announcement of policy decisions and an associated closing off of policy options by ministers or ministerial councils prior to commencement of the RIA process.
  - Where ministers or ministerial councils do not adhere to RIA principles, agencies see RIA as an administrative burden that adds no value and as a 'retrofit' justification of the policy decision.
- In all jurisdictions, greater attention to leading practices for monitoring, reporting and accountability would go a long way toward improving the efficacy and rigour of RIA processes. In particular:
  - transparency measures such as a draft regulation impact statement (RIS) for early consultation, and publishing all RISs and RIS adequacy assessments, would better inform stakeholders of regulatory impacts and motivate rigour in analysis

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- requiring ministers to provide reasons to parliament for non-compliance with the RIA process and for the granting of exemptions, could encourage greater commitment to the RIA process and facilitate further discussion on the impacts of proposals
  - accountability measures such as: the auditing of agency decisions on the need for a RIS; the auditing of regulatory oversight body adequacy assessments; and post implementation reviews undertaken through an independent process, would, in time, invoke more effective scrutiny of regulatory proposals.
  - The efficiency of RIA processes would also be improved by more effective targeting of RIA resources through: streamlined assessment of the need for a RIS; devolving responsibility for determining the need for a RIS to agencies (subject to appropriate oversight); and review of subordinate legislation in conjunction with its overarching primary legislation.

## **Strengthening Australia New Zealand Economic Relations**

Research Report conducted jointly with the New Zealand Productivity Commission. Report completed 30 November 2012, report released 13 December 2012.

The key points in the Commission's report were:

- The Australian and New Zealand economies have become closely integrated, beyond what could be expected with any third country. This has been facilitated by institutional, legal and cultural similarities, as well as geographic proximity.
- Closer Economic Relations (CER) initiatives have contributed significantly to trans-Tasman integration over the past 30 years. Tariffs and quantitative restrictions have been eliminated on virtually all goods traded between the two countries; people move freely across the Tasman; and the CER agenda has expanded into new areas, such as services trade and behind-the-border regulatory barriers.
- The Commissions' assessment is that CER has produced benefits overall for Australia and New Zealand, even though evidence is limited in some areas.
- Barriers to further integration remain and new issues will emerge. Addressing them is becoming more challenging, as the focus shifts to more complex areas, including the regulation of services.
- To ensure that integration policies make the biggest contribution to both economies, future CER initiatives should continue to: be outward looking; take account of linkages with other agreements; and complement domestic policy improvement.

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- A ‘direction of travel’ towards a single economic market has been characterised by Prime Ministers in terms of a seamless market in which people and businesses can have a ‘domestic-like’ experience in either country. How far Australia and New Zealand go in this direction should emerge from good public policy processes focused on the achievement of net benefits.
  - This scoping study identifies more than 30 initiatives to promote beneficial integration. Most address regulatory barriers to services trade and commercial presence, and some remaining impediments to integration in goods, capital and labour markets.
  - Some of these initiatives will require more detailed consideration.
  - There is further potential for each government to cooperate with and learn from the other in policy development, service delivery and regulatory approaches.
  - Current governance approaches for CER are informal and flexible, and appear reasonably effective. This scoping study identifies some opportunities for improvement.

## **Government responses to reports from previous years**

### **Annual Review of Regulatory Burdens on Business: Identifying and Evaluating Regulation Reforms**

Research Report completed 2 December 2011, report released 15 December 2011.

The report presented 12 recommendations, divided into two broad categories. The first category addresses potential opportunities to better manage the existing stock of regulation, while the second group of recommendations identified potential opportunities to strengthen the regulatory framework.

On 23 May 2012, the Attorney General, the Hon. Nicola Roxon, introduced the *Legislative Instruments Amendment (Sunsetting Measures) Bill 2012* into Parliament (Roxon 2012). The Bill is consistent with a recommendation in the Commission’s report that more flexibility be introduced into the Legislative Instruments Act to enable thematic reviews of related instruments. It also provides for greater smoothing of dates when older instruments must sunset, which is also consistent with the Commission’s report.

In introducing the Bill into Parliament, the Attorney General stated:

The Productivity Commission, in its 2011 report *Identifying and Evaluating Regulation Reforms*, expressed concern about the mass expiry of instruments from 2015. They

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identified an increased risk that instruments will be remade without adequate review and without proper consultation with business and other stakeholders. The Commission noted that the sheer quantity of instruments required to be remade by government increases the risk that business and other stakeholders will not have sufficient time to make a meaningful contribution to any review.

Consistent with the recommendations of the Productivity Commission, the purpose of this bill is to smooth these sunset peaks and to encourage high-quality consultation before regulations and legislative instruments are remade. It is also intended to ensure the information on the Federal Register of Legislative Instruments is current.

Subsequently, on 5 December 2012, the Australian Government released a more comprehensive response to the Commission's report (Australian Government 2012b). The Government accepted or accepted in principle nine of the report's recommendations and noted a further three recommendations.

The response provided agreement to recommendations in the following areas:

- Amending the *Legislative Instruments Act 2003* to allow more effective smoothing of the number of pre-2005 instruments due to sunset over the 2015-18 period; and to provide flexibility and incentives to package related regulations for review.
- Giving consideration to extending principle-based reviews to:
  - reviewing regulations that avoided review during the National Competition Policy Legislative Review Program, or that were reviewed but retained
  - applying the principle of accepting recognised international standards unless a case can be made that Australian standards deliver a net benefit to the community
  - applying the principle of removing restraints on factor mobility unless they can be shown to involve a net benefit to the community.
- Applying a number of principles when considering current and future regulatory reform activities, including that:
  - incremental improvements to regulatory arrangements should be undertaken as a matter of course
  - reforms identified or underway should be completed before embarking on new reform agendas
  - in prioritising and sequencing reforms, in addition to the depth and breadth of the potential benefits, the human resource and other costs of achieving the reforms need to be explicitly taken into account
  - precedence in in-depth reviews and benchmarking, should be given to developing the most cost-effective options for achieving current reform

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commitments. In planning future reforms, such reviews should be prioritised based on an assessment of potential gains, including by drawing on information provided by public stocktakes and other stock management approaches.

- The provision of annual reports by the Department of Finance and Deregulation or the Office of Best Practice Regulation on reviews of regulation that have been undertaken, government responses to any recommendations and their implementation status.
- The commissioning by the Australian Government of a study into regulator practices and means of managing regulator performance.
- A commitment by the Australian Government to building skills in evaluating and reviewing regulation, and to examine options to achieve this.

## **Australia's Export Credit Arrangements**

Inquiry Report completed 31 May 2012, report released 26 June 2012.

On 29 January 2013, the then Minister for Trade and Competitiveness, the Hon. Craig Emerson, released the Government response to the report (Australian Government 2013c). The response provided agreement to four of the Commission's recommendations, agreed in part to twelve recommendations, and noted a further six.

The Government agreed with a Commission recommendation to remove the 'market gap' mandate from its Statement of Expectations with the Export Finance and Investment Corporation (EFIC). It also agreed with a recommendation to amend the EFIC Act to allow the Minister to direct the Board of EFIC to return capital to the Australian Government when the Minister determines that EFIC has surplus capital, after seeking the views of the Treasurer and the Minister for Finance. The Government agreed to amend the EFIC Act to exclude Australian Public Service personnel from the EFIC Board. Agreement was also provided that the Minister should table EFIC's corporate plan in Parliament (and, in due course, the Act should be amended to require this), and that EFIC should provide quarterly progress reports to the Minister against its corporate plan.

The Government did not agree with a recommendation that the Minister should direct EFIC to cease providing financial services for transactions that are not based on an export contract. It also did not agree with several recommendations involving legislative amendments in respect of the Commercial Account.

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## E Supporting research and related activities

The Commission's supporting research program encompasses a range of activities. This appendix provides brief summaries of Staff Working Papers released in the year. It also lists the presentations given by the Chair, Commissioners and staff to parliamentary committees, conferences and industry and community groups in 2012-13, as well as briefings to international visitors.

### **Staff working papers**

*Note: The views expressed in staff working papers are those of the authors and do not necessarily reflect the views of the Productivity Commission.*

### **Trends in the Distribution of Income in Australia**

*Jared Greenville, Clinton Pobke and Nikki Rogers, March 2013*

The paper examines the recent trends in Australia's individual and household income distributions. It examines the proximate factors that help explain aggregate trends to provide a more detailed understanding of the composition of the income distribution (in terms of both the groups represented within it and the different kinds of income they receive). It also examines whether the Australian experience mirrors general trends across OECD countries.

- Between 1988-89 and 2009-10, the incomes of individuals and households in Australia have risen substantially in real terms and in comparison to trends in other OECD countries, with particularly strong growth between 2003-04 and 2009-10.
  - The increase has mainly been driven by growth in labour force earnings, arising from employment growth, more hours worked (by part-time workers) and increased hourly wages.
- While real individual and household incomes have both risen across their distributions, increases have been uneven.

- 
- The rate of growth has been higher at the ‘top end’ of the distributions than the ‘bottom end’.
  - Incomes for those in the middle of the distribution have spread out (that is, they have become less concentrated around the average).
  - These changes underlie the recently observed increases in summary measures of inequality (such as the Gini Coefficient) in Australia for individual and household incomes.
    - At the individual level, the key drivers are the widening dispersion of hourly wages of full-time employees and (to a lesser extent) the relatively stronger growth in part-time employment.
    - At the household level, the key driver has been capital income growth amongst higher income households. The impact of growing dispersion of hourly wages on the distribution of labour income has been offset by increased employment of household members including a decline in the share of jobless households.
  - Final income is also influenced by government taxes and transfers. These have a substantial redistributive impact on the distribution of household income, substantially reducing measured inequality.
  - Although the progressive impact of the tax and transfer system declined slightly from the early 2000s (with the introduction of the GST and a fall in the number of recipients of government benefit payments associated with higher employment), real growth in the value of direct and indirect transfers contributed to growth in incomes for low income households.
  - The analysis highlights the need to examine the changes in various income components and population subgroups in order to understand the changes in the distribution of income and inequality measures such as the Gini coefficient.
    - Differences in individual income, and therefore household income levels, occur for a variety of reasons including personal choices and innate characteristics as well as opportunities and inheritances. These differences combine with broader economic forces and policy settings to influence the distribution of income over time.

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## Forms of Work in Australia

*Anthony Shomos, Erin Turner and Lou Will, April 2013*

The paper analyses changes in the prevalence of different forms of work in Australia over the decade to 2011, and explores possible explanations for observed changes.

- While employment in most forms of work (FOWs) grew in absolute terms over the decade to 2011, only permanent employees became more ‘prevalent’ (increased as a share of employment).
  - Owner managers of unincorporated enterprises (OMUEs) fell in prevalence by 2 to 3 percentage points, offsetting the increase for permanent employees.
  - Casuals and fixed-term employees were no more prevalent at the end of the decade than at the start. Labour hire workers probably became less prevalent, and it is likely that the workforce share of independent contractors also fell.
- Relatively rapid growth of casual and independent contractor employment from the 1980s, and labour hire workers from the 1990s, did not continue through the 2000s.
- In 2011, permanent full-time and part-time employees accounted for about 60 per cent of the workforce. Casual employees and self-employment accounted for a little under 20 per cent each. Fixed-term employees accounted for the small residual and labour hire workers (who are employed under a mix of FOWs) represented about 1 per cent of employment.
- Over the decade to 2011:
  - Increases in the prevalence of permanent employees were particularly strong in the mining states (Queensland, Western Australia and the Northern Territory).
  - Structural change at a broad industry level appears to have played little role in prevalence changes.
  - An increase in the employment share of higher-skilled jobs was associated with the increased prevalence of permanent employees.
  - Falls in the numbers of farmers and farm managers explain about half of the decline in the prevalence of OMUEs in the non-mining states.
  - The increased prevalence of permanent employees occurred disproportionately in part-time jobs and among workers aged 50 to 69.
- More pronounced prevalence changes in the mining states could have been related to:

- 
- strong competition for workers encouraging greater job mobility. Hiring of permanent employees can mitigate costly turnover
  - greater confidence in business viability. A fall in the risk of layoffs, and associated redundancy costs, might have encouraged employers to offer more permanent employee roles.
  - At a national level, a preference for permanent employee roles rather than self-employment among some workers — accommodated by relatively strong labour markets — might have played a role in the fall in the prevalence of OMUEs.

## **Staff research notes**

*Note: The views expressed in staff research notes are those of the authors and do not necessarily reflect the views of the Productivity Commission.*

### **On Efficiency and Effectiveness: some definitions**

*Various authors, May 2013*

The terms efficiency and effectiveness are commonly used, yet often are applied in slightly and occasionally along with related concepts such as cost effectiveness and productivity.

This staff research note sets out how the Productivity Commission defines these terms along with related concepts such as cost effectiveness and productivity.

### **On sustainability: an economic approach**

*Ana Markulev and Anthea Long, May 2013*

‘Sustainability’ is invoked as a desirable objective in a range of contexts, yet its meaning is not always clear. Sustainability can imply vastly different policy responses depending on interpretation, particularly in relation to the degree to which environmental and other resources should be consumed over time.

Using an economic framework for exploring the issues, this staff research note illustrates possible interpretations of sustainability and what they imply for policy analysis.

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## **On productivity: the influence of natural resource inputs**

*Vernon Topp and Tony Kulys, June 2013*

Multifactor productivity (MFP), which is measured as a residual (the growth in the volume of output not explained by the growth in the volume of labour and capital inputs), reflects other sources of change in the productive capacity of an industry or economy as well as technical change. This staff research note looks at the effect of one of these other possible sources of change — natural resource inputs.

**Table E.1 Speeches and presentations by the Chair, Commissioners and staff, 2012-13**

<i>Organisation/event</i>	<i>Topic</i>	<i>Date</i>
<b>Gary Banks AO, Chair</b> (until December 2012)		
Secretaries' Committee on Social Policy, Canberra	The challenges in assessing the productivity of the non-market sector.	July 2012
ACCC 2012 Regulatory Conference, Brisbane	Economic Reform and Infrastructure	July 2012
APSC 2012 Australian Government Leadership Network Conference, Melbourne	Securing (real) reform in 'interesting times'	Aug 2012
ASIC Senior Executive Leaders Forum, Sydney	Managing industry relationships & expectations to avoid perceptions of industry capture	Sept 2012
Institute of Public Administration Australia, Melbourne	Panel discussion at release of new Grattan Paper on role of think tanks in the development of public policy	Sept 2012
COAG Reform Council, Melbourne	Designing regulatory reform for a federal system	Sept 2012
Department of Human Services Strategic Policy Seminar Series, Canberra	Public trust in Government	Sept 2012
OECD Global Forum on Public Governance, Paris	Towards New Economic Thinking: Role of governance in promoting inclusive growth	Nov 2012
ACT Economic Society, Canberra	Tricks and Traps of the Inquiry Trade	Nov 2012
World Trade Organisation Senior Management Retreat, France	Measuring performance and managing public resources	Nov 2012
Economic & Social Outlook Conference 2012,, Melbourne	Productivity policies: the 'to do list'	Nov 2012
<b>Peter Harris AO, Chair</b> (current)		
IPAA Regional Conference, Wagga Wagga	An overview on utilising technology to innovate the design and delivery of large projects	March 2013
National Security College strategy planning and implementation in the National Security Community Session Plan, Canberra	Implementing Strategy: the NBN Network	April 2013
The 'Productivity Agenda' Conference, Sydney	The Productivity Reform Outlook – creating an expectations effect in support of continuous reform	May 2013

ACCC Senior Management Conference, Melbourne	The next twenty years	May 2013
GAP/ACHR Conference on Productive Ageing, Sydney	Productive Ageing	May 2013
ACCI Productivity Leadership Forum, Canberra	The importance of key drivers of productivity	June 2013
CEDA State of the Nation Conference, Canberra	Setting the scene: the economy, productivity and structural reform	June 2013
<b>Commissioners:</b>		
Retail Council first meeting, Sydney (Philip Weickhardt)	Commission's inquiry into the Economic Structure and Performance of the Australian Retail industry	July 2012
Australian Economic Forum, Sydney (Philip Weickhardt)	Energy Pricing Session	July 2012
15th National Conference on Generation Next 2012, Sydney (Mike Woods)	Case management pursuant to the Caring for Older Australian's Report	July 2012
Annual General Meeting of Australian Social Policy Association, Melbourne (Alison McClelland)	Enhancing rights and protections but what about capability?	July 2012
Australian Better Boards Conference, Melbourne (Robert Fitzgerald)	Not for profit reform	July 2012
Australia Health Informatics Conference, Sydney (Mike Woods)	Health care informatics: a productivity driver	July 2012
Financial Services Council Annual Conference 2012, Gold Coast (Mike Woods)	Default Superannuation funds in modern awards	Aug 2012
Regulation & Reform: IMPART after 20 years, Sydney (Wendy Craik)	Commission's inquiry into Australia's Urban Water Sector	Aug 2012
ACCORD, Canberra (Mike Woods)	Revisiting the 2008 Productivity Commission Report on chemicals and plastics regulation	Aug 2012
Australia-Israel Chamber of Commerce (SA) Luncheon Seminar, Adelaide (Wendy Craik)	The Commission's role and activities	Aug 2012
CEDA's the Aged Care continuum, Melbourne, (Mike Woods)	Aged Care Reform: unfinished business	Aug 2012
The Hawke Centre Horizon SA Forum Series, Adelaide (Wendy Craik)	Contemporary leadership in rural South Australia	Aug 2012

(Continued on next page)

Table E.1 (continued)

<i>Organisation/event</i>	<i>Topic</i>	<i>Date</i>
The power to persuade: building knowledge and capacity for policy change, Melbourne (Alison McClelland)	Improving policy and research interface	Sept 2012
CPA Australian Boardroom Lunch Forum, Canberra (Robert Fitzgerald)	Assurance vs. Efficiency	Sept 2012
Public Lecture: Climate, Sustainability and Society, Albury (Wendy Craik)	Commission's inquiry into Barriers to effective climate change adaptation	Sept 2012
16th International Congress of Dietetics, Sydney (Robert Fitzgerald)	Closing the Gap — Indigenous Health and Nutrition	Sept 2012
Energy Users Association of Australia Annual Conference, Sydney (Philip Weickhardt)	Commission's draft report on Electricity Regulation Network	Oct 2012
CEDA Lunch Meeting, Melbourne (Philip Weickhardt)	Commission's draft report on Electricity Regulation Network	Oct 2012
Health Workforce Australia's Inaugural conference – Inspire 2012: Reshaping Australia's Health Workforce, Melbourne (Mike Woods)	How to have the best workforce we can afford	Nov 2012
Institute of Public Affairs Energy Forum Lunch, Melbourne (Philip Weickhardt)	Commission's draft report on Electricity Regulation Network	Nov 2012
Children, Communities Connection Conference 2012, Adelaide (Robert Fitzgerald)	Human services reforms strengthening communities	Nov 2012
Australian Health Leaders Conference, Canberra (Mike Woods)	Making the case for change in the Australian Health Workforce	Nov 2012
South Island Social Service Providers Board, New Zealand (Robert Fitzgerald)	Improving productivity in NGOs and the sector: better values better outcomes	Nov 2012
Economic & Social Outlook Conference, Melbourne (Patricia Scott)	The Long Term View	Nov 2012
National Disability Service CEO meeting, Sydney (Robert Fitzgerald)	Reforming relationships with governments	Dec 2012
CEPAR Crawford Aged Care Policy Dialogue, Canberra (Mike Woods)	Challenges for Australian Policy	Dec 2012
NSW Public Sector Community of Interest on Behaviour Insights Breakfast Forum, Sydney (Mike Woods)	Behaviour insights	Dec 2012

2013 Supreme and Federal Courts Judges' Conference, Sydney (Robert Fitzgerald)	'The push for productivity — what is to be the judicial contribution?	Jan 2013
Probus, Sydney (Philip Weickhardt)	The Commission's role and activities	Feb 2013
ANU Seminar – Social Policy Lecture, Canberra (Alison McClelland)	Reflection on experiences in social policy over four decades	March 2013
CPR Association Forum, Canberra (Daryl Quinlivan)	Recent productivity performance	March 2013
SA Premier's Climate Change Council Meeting, Adelaide (Wendy Craik)	Commission's inquiry into Barriers to effective climate change adaptation	April 2013
SA Department of Manufacturing, Innovation, Trade, Resources & Energy, Adelaide (Wendy Craik)	Commission's draft report on Electricity Regulation Network	April 2013
Leaders for Leaders Forum, Adelaide (Wendy Craik)	Commission's inquiry into Barriers to effective climate change adaptation	April 2013
<b>Staff:</b>		
14th International Schumpeter Society Conference, Brisbane (Leo Soames)	An analysis of competition, innovation and productivity in Australia	July 2012
APEC ANSSR project development training program, Indonesia (Catherine Costa, Rosalie McLachlan, Anthony Housego)	Residential training workshop for developing Asian APEC Economics	July 2012
Attorney-General Department Small Talks, Canberra (Jenny Gordon)	Lessons on engaging NFPs in delivery of government funded services drawn from Commission's research report Contribution of the Not-for-Profit Sector	Aug 2012
Department of Finance, Canberra (Dean Parham)	Australia's productivity performance	Nov 2012
Productivity Commission & Australian Bureau of Statistics jointed Productivity Perspective Conference, Canberra (Shiji Zhao)	An overview of Australia's productivity performance	Nov 2012
Productivity Commission & Australian Bureau of Statistics jointed Productivity Perspective Conference, Canberra (Paula Barnes)	Productivity in Australian Manufacturing	Nov 2012
EMG Workshop 2012, Sydney (Shiji Zhao)	An overview of Australia's productivity performance	Nov 2012
AGM of Regulatory Reform Unit, Adelaide (Roselyn Bell)	Commission's study into Regulatory Impact Analysis: Benchmarking	Feb 2013

(Continued on next page)

Table E.1 (continued)

<i>Organisation/event</i>	<i>Topic</i>	<i>Date</i>
The Productivity Agenda Conference, Sydney (Dean Parham)	Productivity, Prosperity and Labour's share	May 2013
OECD Measuring Regulatory Performance Workshop, Stockholm (Rosalyn Bell)	Australia's experience with regulatory impact analysis and with regulators in delivering regulatory outcomes	June 2013
16th Annual Conference on Global Economic Analysis, China (Xiao-Guang Zhang)	A simple structure for CGE models	June 2013
3 <sup>rd</sup> ASEA-CER integration Partnership Forum, Cairns (Paul Gretton)	Development of completion policy, economic benefits and reform processes: Australia's experience	June 2013

**Table E.2 International delegations and visitors, 2012-13**

<i>Organisation/delegation</i>	<i>Briefing/discussion purpose of visit</i>	<i>Date/location</i>
Sheila Swan, Principal Analyst and Yvonne Lucas, Chief Negotiator, Australian New Zealand Therapeutic Products Authority.	Seminar to the Commission on setting up a joint trans-Tasman Regulatory Agency	July 2012 (C)
Professor Jonathan Wiener, Duke University	Seminar to the Commission on The Reality of Precaution, and the Diffusion of Regulatory Oversight	July 2012 (C)
Dr Robert Koopman, Chief Economist, Director of the Office of Economics at US International Trade Commission	Seminar to the Commission – US–Asia trade: Dynamic General Equilibrium Linkages	Aug 2012 (C)
Minister Amy Adams, NZ Minister for the Environment; Guy Beatson, Deputy Secretary; Nathan Beaumont, Press Secretary and Alex Smithyman, NZ High Commission Canberra, Trade and Environment	The Commission's role and activities	Aug 2012 (C)
IMF Delegation – 2012 Article IV Consultation	The Commission's role and activities	Sept 2012 (C)
Professor Avner Offer, University of London	Seminar to the Commission – A Warrant for Pain: Market liberalism 1970-2010	Sept 2012 (M)
Argentine Political Action Network Delegation	Discuss best practice and good governance	Sept 2012 (C)
Mr Nguyen Anh Duong, Central Institute for Economic Management of Vietnam	Seminar on Economic reform in Vietnam	Oct 2012 (C)
Iraqi Delegation – Ministry of Finance	The Commission's role and activities and public infrastructure financing including trends in government investment.	Oct 2012 (C)
Professor Ila Patnaik, National Institute of Public Finance and Policy, India	The Commission's role and activities	Oct 2012 (M)
Colombian Delegation (Video Conference)	The Commission's role and activities and the Report on Government Services	Nov 2012 (C)
Pascal Lamy, Director-General, World Trade Organization	Richard Snape Lecture 2012: The Future of the Multilateral Trading System	Nov 2012 (M)

(Continued on next page)

Table E.2 (continued)

<i>Organisation/event</i>	<i>Topic</i>	<i>Date</i>
South Korean Delegation led by Mr Hyung-Hwan Joo, Deputy Minister of Strategy and Finance	Structure Reform in Australia	Nov 2012 (C)
Mr Megat Iskandar Shah Jamil Rais, Economics and International Division of the Ministry of Finance (MOF), Malaysia	The role of the MOF, the annual budget and Economic Report processes.	Dec 2012 (C)
H.E. Mrs Jenny Bloomfield, Athens Head of Mission (accredited to Greece, Albania and Bulgaria)	Discuss mid-term consultations	Dec 2012 (M)
Mrs Agnes Espagne, Economic Counsellor of the French Embassy	The Commission's role and activities	Dec 2012 (M)
Vietnam Delegation – Ministry of Planning and Investment	The Commission's role and activities and Structural reform in Australia	Jan 2013 (C)
Indonesian Delegation	Commission's Reforms Agenda.	Feb 2013 (C)
Cambodia Delegation	The Commission's role and activities and Regulation Impact Assessment	March 2013 (C)
Mahpud Sujai, Fiscal Policy Office of the Ministry of Finance, Indonesia	Indonesian health insurance reforms: what lessons can we learn from Australia	April 2013 (C)
Kenichi Kawasaki, Japan Cabinet Secretariat	Discuss Productivity Commission and domestic reform.	April 2013 (C)
China Central Party School Delegation	Discuss role of the Productivity Commission and past work on the environment and population ageing.	April 2013 (C)
Ms Zhang Qi, Research Department of Foreign Economic Relations of Development Research Centre (DRC) of the State Council, China.	China's economic reform and opening up	May 2013 (C)
Philippine Regulatory Impact Analysis Delegation Study Tour	Discuss Regulatory Impact Analysis implementation in Australia	May 2013 (C)
Ashok Chawla, Chair of Competition Commission of Indian and Sachin Pilot, Minister of State of the Ministry of Corporate Affairs, Indian	The Commission's role and activities	June 2013 (C)

(C) Canberra (M) Melbourne

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## F Publications

This appendix provides a list of Commission inquiry and research reports, Commission research papers and major speeches by the Chair in 2012-13. It also lists conference proceedings, staff working papers and other papers, in which the views expressed do not necessarily reflect those of the Commission. The Commission has a comprehensive website providing public access to nearly all of its publications. The availability of printed copies is detailed on the website.

### Government-commissioned projects

#### Inquiries and commissioned studies — draft reports

Draft reports can be obtained from the Commission during the course of an inquiry or study and from the Commission's website. The dates listed are release dates.

- *Regulatory Impact Analysis: Benchmarking*, Draft Report, 31 August 2012
- *Strengthening Trans-Tasman Economic Relations, Discussion Draft*, 18 September 2012
- *Electricity Network Regulation*, Draft Report, 18 October 2012
- *Compulsory Licensing of Patents*, Draft Report, 14 December 2012
- *National Access Regime*, Draft Report, 28 May 2013
- *Mineral and Energy Resource Exploration*, Draft Report, 31 May 2013

#### Inquiries and commissioned studies — final reports

Upon release by the Australian Government, copies of final reports can be obtained from the Commission's publications agent, CanPrint Communications and the Commission's website. The dates listed are signing dates. Publications marked with an asterisk (\*) are yet to be released.

- *Performance Benchmarking of Australian Business Regulation Benchmarking: Role of Local Government as Regulator*, Research Report, July 2012

- 
- *Barriers to Effective Climate Change Adaptation*, Final Inquiry Report No. 59, 19 September 2012
  - *Default Superannuation Funds in Modern Award*, Final Inquiry Report No. 60, 5 October 2012
  - *Regulatory Impact Analysis: Benchmarking*, Research Report, 28 November 2012
  - *Strengthening Trans-Tasman Economic Relations*, Research Report, 30 November 2012
  - *Compulsory Licensing of Patents*, Draft Report, Final Inquiry Report No. 61, 28 March 2013
  - *Electricity Network Regulation*, Final Inquiry Report No. 62, 9 April 2013

## Performance reporting

### Steering Committee for the Review of Government Service Provision

The Commission acts as the Secretariat for the COAG Steering Committee. Except where indicated, copies of these publications are available from the Commission's publications agent CanPrint Communications and from the Commission's website.

- *Report on Government Services 2013*, Volume 1: Early Childhood, Education and Training, Justice, Emergency Management (January 2013)
- *Report on Government Services 2013*, Volume 2: Health, Community Services, Housing and Homelessness (January 2013)
- *Report on Government Services 2013: Indigenous Compendium* (April 2013)
- *National Agreement Performance Reporting* (June 2013)

## Supporting research and annual reporting

Unless otherwise indicated, copies of reports are available from the Commission's publications agent CanPrint Communications, and from the Commission's website. Requests for printed copies of publications marked with an asterisk (\*) should be directed to the Commission.

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## **Annual Reports**

- *Annual Report 2011-12* (October 2012)
- *Trade & Assistance Review 2011-12* (June 2013)
- *PC Productivity Update* (June 2013)

## **Chairman's speeches**

Copies of the following speeches by Gary Banks are available from the Commission's website.

- *Competition Policy's regulatory innovation: quo vadis?* (July 2012)
- *Productivity policies: the 'to do' list* (November 2012)
- *Advancing the Reform Agenda: Selected Speeches* (December 2012)

Copies of the following speech by Peter Harris is available from the Commission's website.

- *The Productivity Reform Outlook* (May 2013)

## **Richard Snape Lecture**

The ninth Richard Snape Lecture was held on 26 November 2012. The lecture is available on the Commission's website.

- *The Future of the Multilateral Trading System*, Pascal Lamy (November 2012)

## **Conference/roundtable proceedings**

Papers contained within these proceedings reflect the views of the authors and do not necessarily those of the Commission. Copies of the proceedings are available from the Commission's publications agent CanPrint Communications, and from the Commission's website.

- *Benchmarking in Federal Systems* (July 2012)
- *Better Indigenous Policies: The Role of Evaluation* (October 2012)

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## **Staff working papers**

Copies of these staff working papers are available from the Commission's website. These papers reflect the views of the authors and not necessarily those of the Commission.

- *Trends in the Distribution of Income in Australia* (March 2013)
- *Forms of Work in Australia* (April 2013)

## **Staff research notes**

Copies of these staff research notes are available from the Commission's website. These papers reflect the views of the authors and not necessarily those of the Commission.

- *On Efficiency and Effectiveness: some definitions* (May 2013)
- *On Sustainability: an economic approach* (May 2013)
- *On Productivity: the influence of natural resource inputs* (June 2013)

## **Other publications**

Copies of these publications are available from the Commission and its website.

- *PC Update*, a newsletter on Productivity Commission activities, covers key events on the work program, major activities, publications released, website and other news (Issue 50, December 2011, Issue 51, May 2012, Issue 52, December 2012, Issue 53, May 2013)

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# G Financial statements

**This appendix presents the audited financial statements for the Productivity Commission for 2012-13.**

## **Contents**

Independent audit report	161
Certification	164
Statement of comprehensive income	165
Balance sheet	166
Statement of changes in equity	167
Cash flow statement	168
Schedule of commitments	169
Notes to the financial statements	171



## INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

### Report on the Financial Statements

I have audited the accompanying financial statements of Productivity Commission for the year ended 30 June 2013, which comprise: a Statement by the Chairman and Chief Finance Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

#### *Chairman's Responsibility for the Financial Statements*

The Chairman of the Productivity Commission is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Productivity Commission's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Productivity Commission's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chairman of the Productivity Commission, as well as evaluating the overall presentation of the financial statements.

GPO Box 707 CANBERRA ACT 2601  
19 National Circuit BARTON ACT  
Phone (02) 6203 7300 Fax (02) 6203 7777

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Independence***

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

***Opinion***

In my opinion, the financial statements of the Productivity Commission:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Productivity Commission's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

Note 15 of the financial statements discloses information on the Productivity Commission's review of its exposure to risks of not complying with statutory conditions on payments from annual appropriations which fund statutory payments. Non-compliance with statutory conditions may lead to a contravention of section 83 of the Constitution, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.

As disclosed in Note 15, the review is planned for completion in 2013–14.

Australian National Audit Office



Michael J Watson

Group Executive Director

Delegate of the Auditor-General

Canberra

23 August 2013



**Australian Government**  
**Productivity Commission**

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*From the Chairman's Office*

## **Statement by the Chairman and Chief Finance Officer**

In our opinion, the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Peter Harris AO  
Chairman

22 August 2013

Brian Scammell  
Chief Finance Officer

22 August 2013

## Statement of Comprehensive Income

*for the period ended 30 June 2013*

		<b>2013</b>	2012
	Notes	\$'000	\$'000
<b>EXPENSES</b>			
Employee benefits	3A	<b>29,155</b>	28,180
Supplier expenses	3B	<b>7,129</b>	7,468
Depreciation and amortisation	3C	<b>970</b>	933
Finance costs	3D	<b>74</b>	20
Write-down and impairment of assets	3E	<b>53</b>	-
Losses from asset sales	3F	<u>-</u>	<u>22</u>
<b>Total Expenses</b>		<b><u>37,381</u></b>	<b><u>36,623</u></b>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<i>Own-source revenue</i>			
Sale of goods and rendering of services	4A	<u>1,071</u>	<u>521</u>
<b>Total own-source revenue</b>		<b><u>1,071</u></b>	<b><u>521</u></b>
<i>Gains</i>			
Other gains	4B	<u>40</u>	<u>33</u>
<b>Total gains</b>		<b><u>40</u></b>	<b><u>33</u></b>
<b>Total own-source income</b>		<b><u>1,111</u></b>	<b><u>554</u></b>
<b>Net cost of services</b>		<b><u>36,270</u></b>	<b><u>36,069</u></b>
Revenue from Government	4C	<b><u>37,429</u></b>	<b><u>37,956</u></b>
<b>Surplus</b>		<b><u>1,159</u></b>	<b><u>1,887</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation surplus		<u>617</u>	<u>-</u>
<b>Total comprehensive income</b>		<b><u>1,776</u></b>	<b><u>1,887</u></b>

The above statement should be read in conjunction with the accompanying notes.

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## Balance Sheet

as at 30 June 2013

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		2013	2012
	Notes	\$'000	\$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	468	357
Trade and other receivables	5B	<u>23,277</u>	<u>20,139</u>
<b>Total financial assets</b>		<b><u>23,745</u></b>	<b><u>20,496</u></b>
<b>Non-Financial Assets</b>			
Leasehold improvements	6A	4,960	4,988
Property, plant and equipment	6B, D	717	777
Intangibles	6C, D	155	68
Other non-financial assets	6E	<u>498</u>	<u>628</u>
<b>Total non-financial assets</b>		<b><u>6,330</u></b>	<b><u>6,461</u></b>
<b>Total Assets</b>		<b><u>30,075</u></b>	<b><u>26,957</u></b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	379	295
Other payables	7B	<u>3,607</u>	<u>3,633</u>
<b>Total payables</b>		<b><u>3,986</u></b>	<b><u>3,928</u></b>
<b>Provisions</b>			
Employee provisions	8A	12,651	11,721
Other provisions	8B	<u>480</u>	<u>406</u>
<b>Total provisions</b>		<b><u>13,131</u></b>	<b><u>12,127</u></b>
<b>Total Liabilities</b>		<b><u>17,117</u></b>	<b><u>16,055</u></b>
<b>Net Assets</b>		<b><u>12,958</u></b>	<b><u>10,902</u></b>
<b>EQUITY</b>			
Contributed equity		2,435	2,155
Reserves		2,771	2,154
Retained surplus		<u>7,752</u>	<u>6,593</u>
<b>Total Equity</b>		<b><u>12,958</u></b>	<b><u>10,902</u></b>

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The above statement should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

for the period ending 30 June 2013

Item	Retained earnings		Asset revaluation surplus		Contributed equity		Total equity	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>								
Balance carried forward from previous period	<b>6,593</b>	4,706	<b>2,154</b>	2,154	<b>2,155</b>	1,804	<b>10,902</b>	8,664
<b>Comprehensive Income</b>								
Other comprehensive income	–	–	<b>617</b>	–	–	–	<b>617</b>	–
Surplus for the period	<b>1,159</b>	1,887	–	–	–	–	<b>1,159</b>	1,887
<b>Total comprehensive income</b>	<b>1,159</b>	1,887	<b>617</b>	–	–	–	<b>1,781</b>	1,887
<b>Transactions with owners</b>								
<b>Contributions by Owners</b>								
Departmental capital budget	–	–	–	–	<b>280</b>	351	<b>280</b>	351
<b>Sub-total transactions with owners</b>	–	–	–	–	<b>280</b>	351	<b>280</b>	351
<b>Closing balance as at 30 June</b>	<b>7,752</b>	6,593	<b>2,771</b>	2,154	<b>2,435</b>	2,155	<b>12,958</b>	10,902

The above statement should be read in conjunction with the accompanying notes.

## Cash Flow Statement

for the period ended 30 June 2013

		2013	2012
	Notes	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		36,081	34,613
Sales of goods and rendering of services		1,211	584
Net GST received		645	1,011
<b>Total cash received</b>		<b>37,937</b>	<b>36,208</b>
<b>Cash used</b>			
Employees		28,217	26,537
Suppliers		7,682	8,603
Section 31 receipts transferred to OPA		1,927	1,101
<b>Total cash used</b>		<b>37,826</b>	<b>36,241</b>
<b>Net cash from (used by) operating activities</b>	9	<b>111</b>	<b>(33)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment		-	3
<b>Total cash received</b>		<b>-</b>	<b>3</b>
<b>Cash used</b>			
Purchase of property, plant and equipment		405	252
<b>Total cash used</b>		<b>405</b>	<b>252</b>
<b>Net cash (used by) investing activities</b>		<b>(405)</b>	<b>(249)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity		405	252
<b>Total cash received</b>		<b>405</b>	<b>252</b>
<b>Net cash from financing activities</b>		<b>405</b>	<b>252</b>
<b>Net increase (decrease) in cash held</b>		<b>111</b>	<b>(30)</b>
Cash and cash equivalents at the beginning of the reporting period		357	387
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<b>468</b>	<b>357</b>

The above statement should be read in conjunction with the accompanying notes.

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## Schedule of Commitments

as at 30 June 2013

	2013	2012
	\$'000	\$'000
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
GST recoverable on commitments	<u>(2,048)</u>	<u>(2,342)</u>
<b>Total commitments receivable</b>	<u>(2,048)</u>	<u>(2,342)</u>
<b>Commitments payable</b>		
<b>Other commitments</b>		
Operating leases <sup>1</sup>	22,063	25,344
Other commitments <sup>2</sup>	<u>468</u>	<u>420</u>
<b>Total other commitments</b>	<u>22,531</u>	<u>25,764</u>
<b>Net commitments by type</b>	<u>20,483</u>	<u>23,422</u>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
<b>Other commitments receivable</b>		
One year or less	(329)	(321)
From one to five years	(1,161)	(1,300)
Over five years	<u>(558)</u>	<u>(721)</u>
<b>Total other commitments receivable</b>	<u>(2,048)</u>	<u>(2,342)</u>
<b>Commitments payable</b>		
<b>Operating lease commitments</b>		
One year or less	3,185	3,222
From one to five years	12,735	14,191
Over five years	<u>6,143</u>	<u>7,931</u>
<b>Total operating lease commitments</b>	<u>22,063</u>	<u>25,344</u>
<b>Other commitments</b>		
One year or less	433	310
From one to five years	35	110
Over five years	<u>—</u>	<u>—</u>
<b>Total other commitments</b>	<u>468</u>	<u>420</u>
<b>Net commitments by maturity</b>	<u>20,483</u>	<u>23,422</u>

Note: Commitments are GST inclusive where relevant.

<sup>1</sup> Operating leases included are effectively non-cancellable and comprise:

**Leases for office accommodation and carparking**

Lease payments are subject to a fixed percentage annual increase in accordance with the lease agreement. In Melbourne, the current lease expires on 31 May 2021, with a five year option. In Canberra the current lease expires on 30 April 2017, with a five year option.

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***Agreements for the provision of motor vehicles to senior executive officers***

Lease payments are fixed at the commencement of each vehicle lease. Vehicles are returned on lease expiry.

<sup>2</sup> Other commitments are primarily contracts for office services.

The above schedule should be read in conjunction with the accompanying notes.

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## Notes to and forming part of the Financial Statements

<b>Note</b>	<b>Description</b>
1	Summary of Significant Accounting Policies
2	Events after the Reporting Period
3	Expenses
4	Income
5	Financial Assets
6	Non-Financial Assets
7	Payables
8	Provisions
9	Cash Flow Reconciliation
10	Contingent Liabilities and Assets
11	Senior Executive Remuneration
12	Remuneration of Auditors
13	Financial Instruments
14	Financial Assets Reconciliation
15	Appropriations
16	Compensation and Debt Relief
17	Reporting of Outcomes
18	Net Cash Appropriation Arrangements

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## **Note 1: Summary of Significant Accounting Policies**

### **1.1 Objectives of the Productivity Commission**

The Productivity Commission (the Commission) is an Australian Government controlled entity. The 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. The Commission's work extends to the public and private sectors, including areas of State, Territory and local government, as well as federal responsibility. The Commission is a not-for-profit entity.

The Commission is structured to meet one outcome:

*Outcome 1: 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.*

Activities contributing toward this outcome are classified as departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Commission in its own right.

The continued existence of the Commission in its present form and with its present program is dependent on Government policy and on continuing funding by Parliament for the Commission's administration and program.

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2012) 288 ALR 410, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

### **1.2 Basis of Preparation of the Financial Statements**

The financial statements are general purpose financial statements and are required by section 49 of the *Financial Management and Accountability Act 1997*.

The financial statements have been prepared in accordance with:

- 
- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2012; and
  - Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Commission or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

### **1.3 Significant Accounting Judgements and Estimates**

In the process of applying the accounting policies listed in this note, the Commission has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of leasehold improvements has been taken to be the fair value of similar leasehold improvements as determined by an independent valuer.
- The long service leave liability is calculated using the shorthand method developed by the Australian Government Actuary. This method is impacted by fluctuations in the Commonwealth Government 10 year Treasury Bond rate.

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No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

## **1.4 New Australian Accounting Standards**

### *Adoption of New Australian Accounting Standard Requirements*

No accounting standard has been adopted earlier than the application date as stated in the standard.

New standards, amendments to standards or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on the Commission.

### *Future Australian Accounting Standard Requirements*

New standards, amendments to standards or interpretations that were issued by the Australian Accounting Standards Board prior to the sign-off date and are applicable for future reporting periods are not expected to have a future financial impact on the Commission.

## **1.5 Revenue**

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the Commission retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Commission.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and

- 
- the probable economic benefits associated with the transaction will flow to the Commission.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

### Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the Commission gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

## **1.6 Gains**

### Other Resources Received Free of Charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (Refer to Note 1.7).

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### Sale of Assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

## **1.7 Transactions with the Government as Owner**

### Equity Injections

Amounts appropriated which are designated as ‘equity injections’ for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

### Other Distributions to Owners

The FMOs require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

## **1.8 Employee Benefits**

Liabilities for ‘short-term employee benefits’ (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

### Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Commission is estimated to be less than the annual entitlement for sick leave.

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The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that applied at the time the leave is taken, including the Commission's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by use of the Australian Government Actuary's shorthand method using the Standard Commonwealth sector probability profile. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

### Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Commission recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations. The amount of the provision is \$837,708 (2012: \$84,084).

### Superannuation

The majority of staff at the Commission are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance and Deregulation's administered schedules and notes.

The Commission makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Commission accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

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## **1.9 Leases**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property, or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets.

## **1.10 Borrowing Costs**

All borrowing costs are expensed as incurred.

## **1.11 Cash**

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand, demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value and cash with outsiders.

## **1.12 Financial Assets**

The Commission classifies its financial assets in the following categories:

- financial assets as at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets; and
- loans and receivables.

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The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Commission currently only holds financial assets of loans and receivables.

Financial assets are recognised and derecognised upon ‘trade date’.

#### Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

#### Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

#### Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

*Financial assets held at amortised cost* – if there is objective evidence that an impairment loss has been incurred for loans and receivables held at amortised cost, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

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### **1.13 Financial Liabilities**

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities. The Commission only holds other financial liabilities.

Financial liabilities are recognised and derecognised upon ‘trade date’.

#### **Other Financial Liabilities**

Other financial liabilities, including supplier and other payables, are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

### **1.14 Contingent Liabilities and Contingent Assets**

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Details of each class of contingent liabilities and contingent assets are disclosed in Note 10: Contingent Liabilities and Contingent Assets.

### **1.15 Acquisition of Assets**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor’s accounts immediately prior to the restructuring.

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## 1.16 Property, Plant and Equipment

### Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to ‘make-good’ provisions in property leases taken up by the Commission where there exists an obligation to ‘make-good’ premises. These costs are included in the value of the Commission’s leasehold improvements with a corresponding provision for the ‘make-good’ recognised.

### Revaluations

Fair values for each class of asset are determined as shown below:

<i>Asset class</i>	<i>Fair value measured at</i>
Leasehold improvements	Depreciated replacement cost
Property, plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets’ fair values at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. Assets were revalued by the Australian Valuation Office (AVO) as at 30 June 2013.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

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### Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Commission using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2013	2012
Leasehold improvements and make-good	<b>Lease term</b>	Lease term
Plant and equipment	<b>3 to 20 years</b>	3 to 20 years
Intangibles (computer software)	<b>5 years</b>	5 years

### Impairment

All assets were assessed for impairment at 30 June 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its *fair value less costs to sell* and its *value in use*. *Value in use* is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Commission were deprived of the asset, its *value in use* is taken to be its depreciated replacement cost.

### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

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## **1.17 Intangibles**

The Commission's intangibles comprise commercially purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Commission's software are 5 years (2012: 5 years).

All software assets were assessed for indications of impairment as at 30 June 2013.

## **1.18 Taxation**

The Commission is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

## **Note 2: Events after the Reporting Period**

There was no subsequent event that had the potential to significantly affect the on-going structure and financial activities of the Commission.

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## Note 3: Expenses

### Note 3A: Employee Benefits

	2013	2012
	\$'000	\$'000
Wages and salaries	21,081	20,475
Superannuation:		
Defined contribution plans	1,163	989
Defined benefit plans	3,015	2,543
Leave and other entitlements	2,885	4,089
Separation and redundancies	1,011	84
<b>Total employee benefits</b>	<b>29,155</b>	<b>28,180</b>

### Note 3B: Suppliers

	2013	2012
	\$'000	\$'000
<b>Goods and Services</b>		
Consultants	37	140
Contractors	115	229
Travel	1,204	1,217
IT services	717	636
Other administration expenses	2,203	2,405
<b>Total goods and services</b>	<b>4,276</b>	<b>4,627</b>
Goods and services are made up of:		
Provision of goods – related entities	5	6
Provision of goods – external parties	226	245
Rendering of services – related entities	256	253
Rendering of services – external parties	3,789	4,123
<b>Total goods and services</b>	<b>4,276</b>	<b>4,627</b>
<b>Other supplier expenses</b>		
Operating lease rentals – external parties:		
Minimum lease payments	2,817	2,790
Workers compensation expenses	36	51
<b>Total other supplier expenses</b>	<b>2,853</b>	<b>2,841</b>
<b>Total supplier expenses</b>	<b>7,129</b>	<b>7,468</b>

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*Note 3C: Depreciation and Amortisation*

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Depreciation:		
Buildings - leasehold improvements	<b>724</b>	726
Property, plant and equipment	<u><b>213</b></u>	<u>175</u>
<b>Total depreciation</b>	<u><b>937</b></u>	<u>901</u>
Amortisation:		
Intangibles:		
Computer software	<u><b>33</b></u>	<u>32</u>
<b>Total amortisation</b>	<u><b>33</b></u>	<u>32</u>
<b>Total depreciation and amortisation</b>	<u><u><b>970</b></u></u>	<u><u>933</u></u>

*Note 3D: Finance Costs*

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Unwinding of discount	<u><b>74</b></u>	<u>20</u>
<b>Total finance costs</b>	<u><u><b>74</b></u></u>	<u><u>20</u></u>

*Note 3E: Write-down and Impairment of Assets*

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Asset write-downs and impairments from:		
Revaluation decrement:		
Property, plant and equipment	<u><b>53</b></u>	<u>—</u>
<b>Total write-down and impairment of assets</b>	<u><u><b>53</b></u></u>	<u><u>—</u></u>

*Note 3F: Losses from Asset Sales*

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment:		
Proceeds from sale	—	(3)
Carrying value of assets sold	—	21
Selling expense	<u>—</u>	<u>4</u>
<b>Total losses from asset sales</b>	<u><u>—</u></u>	<u><u>22</u></u>

---

## Note 4: Income

### Revenue

#### Note 4A: Sale of Goods and Rendering of Services

	2013	2012
	\$'000	\$'000
Provision of goods – external parties	6	36
Rendering of services – related entities	1,024	436
Rendering of services – external parties	<u>41</u>	<u>49</u>
<b>Total sales of goods and rendering of services</b>	<b><u>1,071</u></b>	<b><u>521</u></b>

### Gains

#### Note 4B: Other Gains

	2013	2012
	\$'000	\$'000
Resources received free of charge	<u>40</u>	<u>33</u>
<b>Total other gains</b>	<b><u>40</u></b>	<b><u>33</u></b>

### Revenue from Government

#### Note 4C: Revenue from Government

	2013	2012
	\$'000	\$'000
Appropriations:		
Departmental appropriations	<u>37,429</u>	<u>37,956</u>
<b>Total revenue from Government</b>	<b><u>37,429</u></b>	<b><u>37,956</u></b>

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## Note 5: Financial assets

### Note 5A: Cash and Cash Equivalents

	2013	2012
	\$'000	\$'000
Cash on hand or on deposit	<u>468</u>	<u>357</u>
<b>Total cash and cash equivalents</b>	<b><u>468</u></b>	<b><u>357</u></b>

### Note 5B: Trade and Other Receivables

	2013	2012
	\$'000	\$'000
<b>Goods and Services:</b>		
Goods and services – related entities	41	-
Goods and services – external parties	<u>39</u>	<u>72</u>
<b>Total receivables for goods and services</b>	<b><u>80</u></b>	<b><u>72</u></b>
<b>Appropriations receivable:</b>		
For existing programs	<u>23,103</u>	<u>19,953</u>
<b>Total appropriations receivable</b>	<b><u>23,103</u></b>	<b><u>19,953</u></b>
<b>Other receivables:</b>		
GST receivable from the Australian Taxation Office	85	112
Other	<u>9</u>	<u>2</u>
<b>Total other receivables</b>	<b><u>94</u></b>	<b><u>114</u></b>
<b>Total trade and other receivables (gross)</b>	<b><u>23,277</u></b>	<b><u>20,139</u></b>
Receivables are expected to be recovered in:		
No more than 12 months	23,277	20,139
More than 12 months	<u>-</u>	<u>-</u>
<b>Total trade and other receivables (net)</b>	<b><u>23,277</u></b>	<b><u>20,139</u></b>
Receivables are aged as follows:		
Not overdue	23,260	20,137
Overdue by:		
0 to 30 days	-	-
31 to 60 days	-	1
61 to 90 days	-	-
More than 90 days	<u>17</u>	<u>1</u>
<b>Total receivables (gross)</b>	<b><u>23,277</u></b>	<b><u>20,139</u></b>

Credit Terms for goods and services were within 30 days (2012: 30 days)

---

## Note 6: Non-Financial Assets

### Note 6A: Leasehold Improvements

	2013	2012
	\$'000	\$'000
Leasehold improvements:		
Fair value	4,960	6,077
Accumulated depreciation	-	(1,089)
<b>Total leasehold improvements</b>	<b>4,960</b>	<b>4,988</b>
<b>Total land and buildings</b>	<b>4,960</b>	<b>4,988</b>

No indicators of impairment were found for leasehold improvements.

No leasehold improvements are expected to be sold or disposed of within the next 12 months.

### Note 6B: Property, Plant and Equipment

	2013	2012
	\$'000	\$'000
Property, plant and equipment:		
Fair value	722	1,125
Accumulated depreciation	(5)	(348)
<b>Total property, plant and equipment</b>	<b>717</b>	<b>777</b>

No indicators of impairment were found for property, plant and equipment.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

### Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 1. On 30 June 2013, an independent valuer from the Australian Valuation Office conducted the revaluations.

The revaluation increment for leasehold improvements and decrement for plant and equipment were credited and debited respectively to the asset revaluation reserve by asset class, and included in the equity section of the balance sheet; decrements for plant and equipment were also expensed.

### Note 6C: Intangibles

	2013	2012
	\$'000	\$'000
Computer software:		
Purchased	693	573
Accumulated amortisation	<u>(538)</u>	<u>(505)</u>
<b>Total intangibles</b>	<b><u>155</u></b>	<b><u>68</u></b>

No indicators of impairment were found for intangible assets.

No intangibles are expected to be sold or disposed of within the next 12 months.

### Note 6D: Analysis of Property, Plant and Equipment, and Intangibles

Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2012-13)

	Leasehold improvements	Property, plant & equipment	Computer software purchased	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2012</b>				
Gross book value	6,077	1,125	573	7,775
Accumulated depreciation / amortisation and impairment	<u>(1,089)</u>	<u>(348)</u>	<u>(505)</u>	<u>(1,942)</u>
<b>Net book value 1 July 2012</b>	<b><u>4,988</u></b>	<b><u>777</u></b>	<b><u>68</u></b>	<b><u>5,833</u></b>
Additions:				
By purchase	–	285	120	405
Revaluations and impairments recognised in other comprehensive income	696	(79)	–	617
Revaluation recognised in the operating result	–	(53)	–	(53)
Depreciation / amortisation expense	<u>(724)</u>	<u>(213)</u>	<u>(33)</u>	<u>(970)</u>
<b>Net book value 30 June 2013</b>	<b><u>4,960</u></b>	<b><u>717</u></b>	<b><u>155</u></b>	<b><u>5,832</u></b>
<b>Net book value as of 30 June 2013 represented by:</b>				
Gross book value	4,960	722	693	6,375
Accumulated depreciation/amortisation and impairment	<u>–</u>	<u>(5)</u>	<u>(538)</u>	<u>(543)</u>
<b>Net book value as of 30 June 2013</b>	<b><u>4,960</u></b>	<b><u>717</u></b>	<b><u>155</u></b>	<b><u>5,832</u></b>

*Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2011-12)*

	<i>Leasehold improvements</i>	<i>Property, plant &amp; equipment</i>	<i>Computer software purchased</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2011</b>				
Gross book value	6,116	929	562	7,607
Accumulated depreciation / amortisation and impairment	<u>(402)</u>	<u>(203)</u>	<u>(475)</u>	<u>(1,080)</u>
<b>Net book value 1 July 2011</b>	<u>5,714</u>	<u>726</u>	<u>87</u>	<u>6,527</u>
Additions:				
By purchase	–	247	13	260
Depreciation / amortisation expense	(726)	(175)	(32)	(933)
Disposals:				
Other	<u>–</u>	<u>(21)</u>	<u>–</u>	<u>(21)</u>
<b>Net book value 30 June 2012</b>	<u>4,988</u>	<u>777</u>	<u>68</u>	<u>5,833</u>
<b>Net book value as of 30 June 2012 represented by:</b>				
Gross book value	6,077	1,125	573	7,775
Accumulated depreciation/amortisation and impairment	<u>(1,089)</u>	<u>(348)</u>	<u>(505)</u>	<u>(1,942)</u>
<b>Net book value as of 30 June 2012</b>	<u>4,988</u>	<u>777</u>	<u>68</u>	<u>5,833</u>

*Note 6E: Other Non-financial Assets*

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	<u>498</u>	<u>628</u>
<b>Total other non-financial assets</b>	<u>498</u>	<u>628</u>
Total other non-financial assets – are expected to be recovered in:		
No more than 12 months	<b>498</b>	628
More than 12 months	<u>–</u>	<u>–</u>
<b>Total other non-financial assets</b>	<u>498</u>	<u>628</u>

No indicators of impairment were found for other non-financial assets.

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## Note 7: Payables

### Note 7A: Suppliers

	2013	2012
	\$'000	\$'000
Trade creditors and accruals	<u>379</u>	<u>295</u>
<b>Total suppliers payables</b>	<b><u>379</u></b>	<b><u>295</u></b>
Supplier payables expected to be settled within 12 months:		
Related entities	54	38
External parties	<u>325</u>	<u>257</u>
<b>Total suppliers payables</b>	<b><u>379</u></b>	<b><u>295</u></b>

Settlement was usually made within 30 days.

### Note 7B: Other Payables

	2013	2012
	\$'000	\$'000
Wages and salaries	617	614
Superannuation	106	97
Prepayments received/unearned income	110	59
Rent (lease) payable	987	853
Lease incentive	1,784	2,010
Other	<u>3</u>	<u>-</u>
<b>Total other payables</b>	<b><u>3,607</u></b>	<b><u>3,633</u></b>
Total other payables are expected to be settled in:		
No more than 12 months	1,061	995
More than 12 months	<u>2,546</u>	<u>2,638</u>
<b>Total other payables</b>	<b><u>3,607</u></b>	<b><u>3,633</u></b>

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## Note 8: Provisions

### Note 8A: Employee Provisions

	2013	2012
	\$'000	\$'000
Leave	11,813	11,637
Separations and redundancies	<u>838</u>	<u>84</u>
<b>Total employee provisions</b>	<b><u>12,651</u></b>	<b><u>11,721</u></b>
Employee provisions are expected to be settled in:		
No more than 12 months	3,915	2,941
More than 12 months	<u>8,736</u>	<u>8,780</u>
<b>Total employee provisions</b>	<b><u>12,651</u></b>	<b><u>11,721</u></b>

### Note 8B: Other Provisions

	2013	2012
	\$'000	\$'000
Provision for restoration obligations	<u>480</u>	<u>406</u>
<b>Total other provisions</b>	<b><u>480</u></b>	<b><u>406</u></b>
Other provisions are expected to be settled in:		
No more than 12 months	-	-
More than 12 months	<u>480</u>	<u>406</u>
<b>Total other provisions</b>	<b><u>480</u></b>	<b><u>406</u></b>

	<b>Provision for restoration</b>
	<b>\$'000</b>
<b>Carrying amount 1 July 2012</b>	<b>406</b>
Additional provisions made	-
Amounts used	-
Unwinding of discount or change in discount rate	<u>74</u>
<b>Closing balance 2013</b>	<b><u>480</u></b>

The Commission currently has 1 agreement for the leasing of premises which has a provision requiring the Commission to restore the premises to its original condition at the conclusion of the lease. The Commission has made a provision to reflect the present value of this obligation. (2012: 1 agreement)

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## Note 9: Cash Flow Reconciliation

	2013	2012
	\$'000	\$'000
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash flow statement	468	357
Balance sheet	<u>468</u>	<u>357</u>
<b>Difference</b>	<u><u>=</u></u>	<u><u>=</u></u>
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(36,270)	(36,069)
Add revenue from Government	37,429	37,956
<b>Adjustments for non-cash items</b>		
Depreciation / amortisation	970	933
Net write down of non-financial assets	53	-
(Gain) / loss on disposal of assets	-	22
<b>Change in assets / liabilities:</b>		
(Increase) / decrease in net receivables	(3,263)	(4,171)
(Increase) / decrease in prepayments	130	(73)
Increase / (decrease) in employee provisions	930	1,541
Increase / (decrease) in supplier payables	84	(298)
Increase / (decrease) in other payables	(26)	106
Increase / (decrease) in other provisions	<u>74</u>	<u>20</u>
<b>Net cash from / (used by) operating activities</b>	<u><u>111</u></u>	<u><u>(33)</u></u>

## Note 10: Contingent Assets and Liabilities

At 30 June 2013, to the best of its knowledge, the Commission was not exposed to any unrecognised contingencies that would have any material effect on the financial statements. (2012: Nil)

The Commission had no significant remote contingencies.

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## Note 11: Senior Executive Remuneration

### Note 11A: Senior Executive Remuneration Expense for the Reporting Period

	2013	2012
	\$	\$
<b>Short-term employee benefits:</b>		
Salary	6,010,422	5,043,558
Annual leave accrued	487,850	413,585
Performance bonus	<u>-</u>	<u>158,895</u>
<b>Total short-term employee benefits</b>	<b><u>6,498,272</u></b>	<b><u>5,616,038</u></b>
<b>Post-employment benefits:</b>		
Superannuation	<u>1,268,998</u>	<u>789,430</u>
<b>Total post-employment benefits</b>	<b><u>1,268,998</u></b>	<b><u>789,430</u></b>
<b>Other long-term employee benefits:</b>		
Long-service leave	<u>159,060</u>	<u>134,846</u>
<b>Total other long-term employee benefits</b>	<b><u>159,060</u></b>	<b><u>134,846</u></b>
<b>Total senior executive remuneration expenses</b>	<b><u>7,926,330</u></b>	<b><u>6,540,313</u></b>

#### Notes:

1. This note includes remuneration of members of the Commission and employees in the Senior Executive Service.
2. Note 11A was prepared on an accrual basis (therefore the performance bonus expenses disclosed above may differ from the cash 'Bonus paid' in Note 11B).
3. Note 11A excludes acting arrangements and part-year service where total remuneration expensed as a senior executive was less than \$180,000. The number of senior executives included in 2013 is 32. (2012: 27)
4. During the year the Commission paid nil in termination benefits to senior executives. (2012: nil)

*Note 11B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period*

Average annual reportable remuneration paid to substantive senior executives in 2013

<i>Average annual reportable remuneration<sup>1</sup></i>	<i>Substantive Senior Executives</i>	<i>Reportable Salary<sup>2</sup></i>	<i>Contributed Superannuation<sup>3</sup></i>	<i>Bonus paid<sup>4</sup></i>	<i>Total Reportable Remuneration</i>
	<i>No.</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>Total reportable remuneration (including part-time arrangements):</b>					
Less than \$180,000	<b>9</b>	<b>96,680</b>	<b>13,785</b>	–	<b>110,465</b>
\$180,000 to \$209,999	<b>5</b>	<b>174,796</b>	<b>25,771</b>	–	<b>200,567</b>
\$210,000 to \$239,999	<b>7</b>	<b>190,477</b>	<b>31,177</b>	–	<b>221,654</b>
\$240,000 to \$269,999	<b>7</b>	<b>219,456</b>	<b>31,774</b>	–	<b>251,230</b>
\$270,000 to \$299,999	<b>1</b>	<b>259,621</b>	<b>34,899</b>	–	<b>294,520</b>
\$300,000 to \$329,999	<b>3</b>	<b>274,727</b>	<b>38,399</b>	–	<b>313,126</b>
\$330,000 to \$359,999	<b>1</b>	<b>299,461</b>	<b>47,435</b>	–	<b>346,896</b>
\$510,000 to \$539,999	<b>2</b>	<b>347,718</b>	<b>181,529</b>	–	<b>529,247</b>
<b>Total number of substantive senior executives</b>	<b>35</b>				

Average annual reportable remuneration paid to substantive senior executives in 2012

<b>Average annual reportable remuneration<sup>1</sup></b>	<i>Substantive Senior Executives</i>	<i>Reportable Salary<sup>2</sup></i>	<i>Contributed Superannuation<sup>3</sup></i>	<i>Bonus paid<sup>4</sup></i>	<i>Total Reportable Remuneration</i>
	<i>No.</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>Total reportable remuneration (including part-time arrangements):</b>					
Less than \$180,000	13	100,168	13,619	1,844	115,631
\$180,000 to \$209,999	6	166,232	25,197	4,337	195,766
\$210,000 to \$239,999	6	188,143	28,254	9,357	225,754
\$240,000 to \$269,999	4	211,900	28,414	10,309	250,623
\$270,000 to \$299,999	2	249,655	34,111	8,596	292,362
\$300,000 to \$329,999	1	285,871	21,586	–	307,457
\$330,000 to \$359,999	2	293,943	36,525	6,590	337,058
\$450,000 to \$479,999	1	400,950	62,004	–	462,954
\$480,000 to \$509,999	1	441,903	65,537	–	507,440
<b>Total number of substantive senior executives</b>	<b>36</b>				

**Notes:**

<sup>1</sup> This table reports members of the Commission and substantive senior executives who received remuneration during the reporting period. Each row represents an averaged figure based on headcount for the individuals in the band.

<sup>2</sup> 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes); and
- c) exempt foreign employment income; and
- d) any salary sacrificed amounts.

<sup>3</sup> The 'contributed superannuation' amount is the average cost to the Commission for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period. The 'contributed superannuation' amount includes additional lump sum contributions paid to Comsuper, where applicable.

<sup>4</sup> 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the Commission during the financial year.

*Note 11C: Average Annual Reportable Remuneration Paid to Other Highly Paid Staff during the Reporting Period*

Average annual reportable remuneration paid to other highly paid staff in 2013

<i>Average annual reportable remuneration<sup>1</sup></i>	<i>Staff</i>	<i>Reportable Salary<sup>2</sup></i>	<i>Contributed Superannuation<sup>3</sup></i>	<i>Bonus paid<sup>4</sup></i>	<i>Total Reportable Remuneration</i>
	<i>No.</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>Total reportable remuneration (including part-time arrangements):</b>					
\$180,000 to \$209,999	<b>1</b>	<b>162,537</b>	<b>27,911</b>	-	<b>190,448</b>
\$210,000 to \$239,999	<b>1</b>	<b>183,944</b>	<b>35,042</b>	-	<b>218,986</b>
<b>Total number of other highly paid staff</b>	<b>2</b>				

Average annual reportable remuneration paid to other highly paid staff in 2012

<i>Average annual reportable remuneration<sup>1</sup></i>	<i>Staff</i>	<i>Reportable Salary<sup>2</sup></i>	<i>Contributed Superannuation<sup>3</sup></i>	<i>Bonus paid<sup>4</sup></i>	<i>Total Reportable Remuneration</i>
	<i>No.</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>Total reportable remuneration (including part-time arrangements):</b>					
\$180,000 to \$209,999	<b>1</b>	163,662	32,649	3,381	199,692
<b>Total number of highly paid staff</b>	<b>1</b>				

**Notes:**

<sup>1</sup> This table reports staff:

- a) who were employed by the Commission during the reporting period;
- b) whose reportable remuneration was \$180,000 or more for the financial period; and
- c) were not required to be disclosed in Tables A or B.

Each row is an averaged figure based on headcount for individuals in the band.

<sup>2</sup> 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes); and
- c) exempt foreign employment income; and
- d) any salary sacrificed amounts.

<sup>3</sup> The 'contributed superannuation' amount is the average cost to the Commission for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.

<sup>4</sup> 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the Commission during the financial year.

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## Note 12: Remuneration of Auditors

	2013	2012
	\$'000	\$'000
Financial statement audit services were provided free of charge to the Commission by the Australian National Audit Office (ANAO). The fair value of the services provided was:		
Financial statement audit services	<u>40</u>	<u>33</u>
	<u>40</u>	<u>33</u>

No other services were provided by the ANAO.

## Note 13: Financial Instruments

### Note 13A: Categories of financial instruments

	2013	2012
	\$'000	\$'000
<b>Financial Assets</b>		
Loans and receivables		
Cash and cash equivalents	468	357
Trade receivables	<u>80</u>	<u>72</u>
<b>Carrying amount of financial assets</b>	<u>548</u>	<u>429</u>
<b>Financial Liabilities</b>		
At amortised cost:		
Payables – suppliers	<u>379</u>	<u>295</u>
<b>Carrying amount of financial liabilities</b>	<u>379</u>	<u>295</u>

### Note 13B: Net income and expense from financial assets

There is no income or expense from financial assets – loans and receivables in the year ending 30 June 2013. (2012: nil)

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**Note 13C: Net income and expense from financial liabilities**

There is no income or expense from other financial liabilities in the year ending 30 June 2013. (2012: nil)

**Note 13D: Fair value of financial instruments**

There are no financial instruments held at 30 June 2013 where the carrying amount is not a reasonable approximation of fair value. (2012: nil)

**Note 13E: Credit Risk**

The Commission is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total of trade receivables (2013: \$80,000 and 2012: \$72,000). The Commission has assessed that there is no risk of default on payment.

The Commission's credit risk is reduced as it mainly deals with other government agencies.

The Commission holds no collateral to mitigate against credit risk.

No financial instruments were impaired in 2013. (2012: nil)

Ageing of financial assets that are not past due nor impaired and past due but not impaired are shown at Note 5B.

**Note 13F: Liquidity Risk**

The Commission's financial liabilities are payables. The exposure to liquidity risk is based on the notion that the Commission will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to the Commission (eg. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The Commission is appropriated funding from the Australian Government. The Commission manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Commission has policies in place to ensure timely payments are made when due and has no past record of default.

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All financial liabilities mature within one year. (2012: one year)

The Commission has no derivative financial liabilities in either the current or prior year.

*Note 13G: Market Risk*

The Commission holds basic financial instruments that do not expose the Commission to certain market risks.

The Commission is not exposed to currency risk, other price risk or interest rate risk.

**Note 14: Financial Assets Reconciliation**

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	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Financial Assets</u></b>		
<b>Total financial assets as per balance sheet</b>	<b>23,745</b>	20,496
Less: non-financial instrument components:		
Appropriations receivable	<b>23,103</b>	19,953
Other receivables	<u>94</u>	<u>114</u>
Total non-financial instrument components	<u><b>23,197</b></u>	<u>20,067</u>
<b>Total financial assets as per financial instrument note</b>	<u><b>548</b></u>	<u>429</u>

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## Note 15: Appropriations

Table A: Annual Appropriations ('Recoverable GST' exclusive)

	2013 Appropriations				Appropriation applied in 2013 (current and prior years)	Variance
	Appropriation Act		FMA Act	Total appropriation		
	Annual Appropriation	Appropriations reduced <sup>(a)</sup>	Section 31			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Departmental</b>						
Ordinary annual services	37,881	–	1,927	39,808	36,375	3,433
<b>Total departmental</b>	<b>37,881</b>	<b>–</b>	<b>1,927</b>	<b>39,808</b>	<b>36,375</b>	<b>3,433</b>

### Notes:

- (a) Appropriations reduced under Appropriation Acts (No.1,3,5) 2012-13: sections 10, 11, and 12 and under Appropriation Acts (No.2,4,6) 2012-13: sections 12,13, and 14. Departmental appropriations do not lapse at financial year-end. A reduction in the Commission's appropriation of \$172,000 was included in a cross portfolio measure in the *Mid-Year Economic Fiscal Outlook 2012-13* and also included in the comparative figures in Appropriation Act No.1 2013-14. As the Finance Minister's determination effecting the reduction was not signed until on 5 August 2013 and took legal effect on 13 August 2013, the reduction is not reflected in the table above or in Table C below.
- (b) The Departmental appropriation in Table A is inclusive of the Departmental Capital Budget appropriation in Table B.

Table A: Annual Appropriations ('Recoverable GST' exclusive) continued

	2012 Appropriations				Appropriation applied in 2012 (current and prior years)	Variance
	Appropriation Act		FMA Act	Total appropriation		
	Annual Appropriation	Appropriations reduced <sup>(a)</sup>	Section 31			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Departmental</b>						
Ordinary annual services	38,307	–	1,101	39,408	34,895	4,513
Other services						
Equity	–	–	–	–	–	–
<b>Total departmental</b>	38,307	–	1,101	39,408	34,895	4,513

**Notes:**

- (a) Appropriations reduced under Appropriation Acts (No.1,3,5) 2011-12: sections 10, 11, and 12 and under Appropriation Acts (No.2,4,6) 2011-12: sections 12,13, and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation.
- (b) The Departmental appropriation in Table A is inclusive of the Departmental Capital Budget appropriation in Table B.

Table B: Departmental Capital Budgets ('Recoverable GST' exclusive)

	2013 Capital Budget Appropriations		Capital Budget Appropriations applied in 2013 (current and prior years)		Variance
	Appropriation Act	Total Capital Budget Appropriations	Payments for non-financial assets <sup>2</sup>	Total payments	
	Annual Capital Budget				
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental</b>					
Ordinary annual services					
Capital Budget <sup>1</sup>	280	280	405	405	(125)

**Notes:**

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
2. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Table B: Departmental Capital Budgets ('Recoverable GST' exclusive) continued

	2012 Capital Budget Appropriations		Capital Budget Appropriations applied in 2012 (current and prior years)		Variance
	Appropriation Act	Total Capital Budget Appropriations	Payments for non-financial assets <sup>2</sup>	Total payments	
	Annual Capital Budget				
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental</b>					
Ordinary annual services					
Capital Budget <sup>1</sup>	351	351	252	252	99

**Notes:**

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
2. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

*Table C: Unspent Departmental Annual appropriations ('Recoverable GST exclusive')*

<b>Authority</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Appropriation Act (No.1) 2010-11	<b>336</b>	741
Appropriation Act (No.1) 2011-12	<b>99</b>	19,569
Appropriation Act (No.1) 2012-13	<b><u>23,308</u></b>	<u>—</u>
<b>Total as at 30 June</b>	<b><u>23,743</u></b>	<u>20,310</u>

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law.

During 2012-13 additional legal advice was received by the Department of Finance and Deregulation, which indicated there could be breaches of Section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. The Commission will review its processes and controls over payments for these items to minimise the possibility for future breaches as a result of these payments. The Commission has determined that there is a low risk of the certain circumstances mentioned in the legal advice applying to the Commission. The Commission is not aware of any specific breaches of Section 83 in respect of these items.

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## Note 16: Compensation and Debt Relief

	2013	2012
	\$	\$
<b>Departmental</b>		
No 'Act of Grace' expenses were expended during the reporting period. (2012: No expenses)	—	—
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2012: No waivers)	—	—
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2012: No payments)	—	—
No ex gratia payments were provided for during the reporting period. (2012: No payments)	—	—
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> (PS Act) during the reporting period. (2012: No payments)	—	—

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## Note 17: Reporting of Outcomes

### Note 17A: Net Cost of Outcome Delivery

	<i>Outcome 1</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>Departmental</b>		
Expenses	<b>37,381</b>	36,623
Own-source income	<u><b>1,111</b></u>	<u>554</u>
<b>Net cost of outcome delivery</b>	<u><b>36,270</b></u>	<u><b>36,069</b></u>

## Note 18: Net Cash Appropriation Arrangements

	<i>2013</i>	<i>2012</i>
	<i>\$'000</i>	<i>\$'000</i>
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations <sup>1</sup>	<b>2,746</b>	2,820
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u><b>(970)</b></u>	<u>(933)</u>
<b>Total comprehensive income – as per the Statement of Comprehensive Income</b>	<u><b>1,776</b></u>	<u><b>1,887</b></u>

<sup>1</sup> From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expense ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.



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# Index

- access to civil justice inquiry, 129-130
- audited financial statements, 52, 161-209
- Australian Bureau of Statistics (ABS), 3, 12, 14, 26, 27, 34, 103, 107, 108, 109,
- Australian Competition and Consumer Commission (ACCC), 34, 71, 98, 139
- Australian Government Competitive Neutrality Complaints Office (AGCNCO), 23, 40, 111-113, 121-122
- Australian Institute of Health and Welfare (AIHW), 1, 11, 12, 14, 34, 107, 108, 109
- Australian National Audit Office (ANAO), 73, 162-163
- use of Commission outputs, 73
- benchmarking, 11, 95, 115, 134, 135, 136, 143
- see also* business regulation benchmarking
- Business Council of Australia, 85
- business regulation benchmarking, 17, 18, 19, 20, 29, 31, 40, 58, 71, 74, 81, 84, 87, 90, 99, 124, 128, 140-141, 157, 158
- climate change adaptation inquiry, 17, 19, 27, 31, 33, 34, 54, 58, 86, 87, 88, 90, 94, 98, 100, 124, 131-133, 158
- Council of Australian Governments (COAG), 13, 18, 21, 32, 34, 66, 68, 81, 85, 86, 88, 95, 97, 101, 102, 103, 105, 106, 107, 108, 110, 124, 128, 136, 140, 156, 158
- collective agreement, 48
- Commissioners, 40-41, 57
- Commissioners, Associate, 57-58
- competitive neutrality complaints activities, 23, 40, 111-113, 121-122
- compliance index, 63-64
- default superannuation funds inquiry, 19, 27, 87, 90, 91-92, 136-138
- Department of the Treasury, 3, 34, 41
- economic modelling, 26, 29, 83, 84, 87, 90, 117, 119, 154

---

electricity network regulation inquiry, 17, 19, 27, 31, 33, 34, 35, 87, 88, 90, 95, 99, 100, 118, 124, 133-136, 152, 153

export credit arrangements inquiry, 30, 75, 88, 93, 98, 144

financial and staffing resources summary, 42

Financial Management and Accountability Act 1997, 52, 55, 61, 162, 164

fraud control certificate, 62

Freedom of Information, 55

Freedom of Information Act 1982, 55

geographic labour mobility study, 128-129

Global Trade Analysis Project (GTAP), 26

government-commissioned projects, 19-20, 67-68, 87-100, 123-144

Indigenous Australians, 13, 14, 25, 80, 103

    data compendium, 21, 107

    expenditure reporting, 17, 22, 68, 73, 77, 101, 102, 106, 110-111

*Overcoming Indigenous Disadvantage* report, 17, 21-22, 28, 68, 73, 75, 86, 100, 101, 102, 105, 107, 109-110

media coverage of the Commission, 27, 34-35, 100, 108

mineral and energy resource exploration inquiry, 18, 19, 87, 88, 125

National Access Regime inquiry, 19, 126

National Agreement reporting, 17, 22, 101, 107, 110

Organisation for Economic Cooperation and Development (OECD), 27, 34, 85, 109, 117, 118, 119

*Overcoming Indigenous Disadvantage* report, 17, 21-22, 28, 68, 73, 75, 86, 100, 101, 102, 105, 107, 109-110

parliamentary committees, 72, 73, 82, 88, 119

    recommendations involving the Commission, 82

Parliamentary Library, 33, 34, 71, 73, 76-79, 119

    use of Commission outputs, 76-79

performance benchmarking of Australian business regulation study, *see* business regulation benchmarking

---

performance reporting activities, 21-22, 101-111

Productivity Commission,

- activities in 2012-13, 17-35, 65-119
- appointments, 41, 57-58
- collaborative research, 26, 117-118
- competitive neutrality complaints activities, 23, 40, 111-113, 121-122
- conferences, workshops and roundtables, 25-26, 67, 92
- consultancies let, 52
  - alignment of tender threshold with procurement guidelines, 52
- consultative processes, 24-25, 91-92
- external and internal scrutiny, 17-35, 45-47
- disability strategy, 51-52
- environmental management system, 53-55
- feedback on activities, 17-35, 65-119, 123-144
- financial statements, 161-209
- governance arrangements, 17-35
- government-commissioned projects, 19-20, 67-68, 87-100, 123-144
  - project costs, 90
- government responses to reports, 30-32, 123-144
- legal services, 53
- management of human resources, 47-52
- occupational health and safety, 50-51
- organisation chart, 40
- outcome objective, 66
- performance management and pay, 48-49
- performance reporting activities, 21-22, 101-111
- program performance, 17-35, 65-119
- program performance indicators, 17-35, 65-119
- publications, 157-160
- quality assurance processes, 17-35
- role, 70
- service charters, 45-47
- speeches and presentations, 149-153
- staffing statistics, 58-59
- supporting research and statutory annual reporting, 23-24, 114-119
- training, 49-50

---

visiting officials, 155-156  
visiting researchers, 26  
workplace diversity, 51  
*Productivity Commission Act 1998*, 23, 39, 53, 111  
Public Service Act 1999, 39, 48

references to Commission work  
in Federal Parliament, 32-34, 72-73  
in House of Representatives and Senate committee reports, 33, 72-73, 73-75  
in Parliamentary Library reports, 76-78  
in State and Territory parliaments, 33-34  
in the media, *see* media coverage of the Commission  
Report on Government Services, 21, 101-111  
Review of Government Service Provision, 21, 101-111

safeguards inquiry, 18, 20, 130-131  
service charters, 45  
service provision, *see* Review of Government Service Provision  
small business study, 128  
Snape, Professor Richard (former Deputy Chairman), 115  
2012 Richard Snape Lecture, 115-116  
Steering Committee for the Review of Government Service Provision, 21, 101-111  
supporting research and statutory reporting activities, 23-24, 114-119

training, 49-50

visiting officials, 155-156  
visiting researchers, 26

workplace diversity, 51  
World Trade Organization, 20, 34, 117