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## B 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 2011 are shown in figure B.1.

#### Commissioners

At 30 June 2011 there were eleven members of the Commission, including the Chairman. Five Commissioners held part-time appointments, one of whom is on long-term leave without pay.

Mike Woods was re-appointed as Deputy Chairman on 17 April 2011 for a period of five years. Angela MacRae was also re-appointed as a part-time Commissioner with effect from 8 December 2010 for a period of five years.

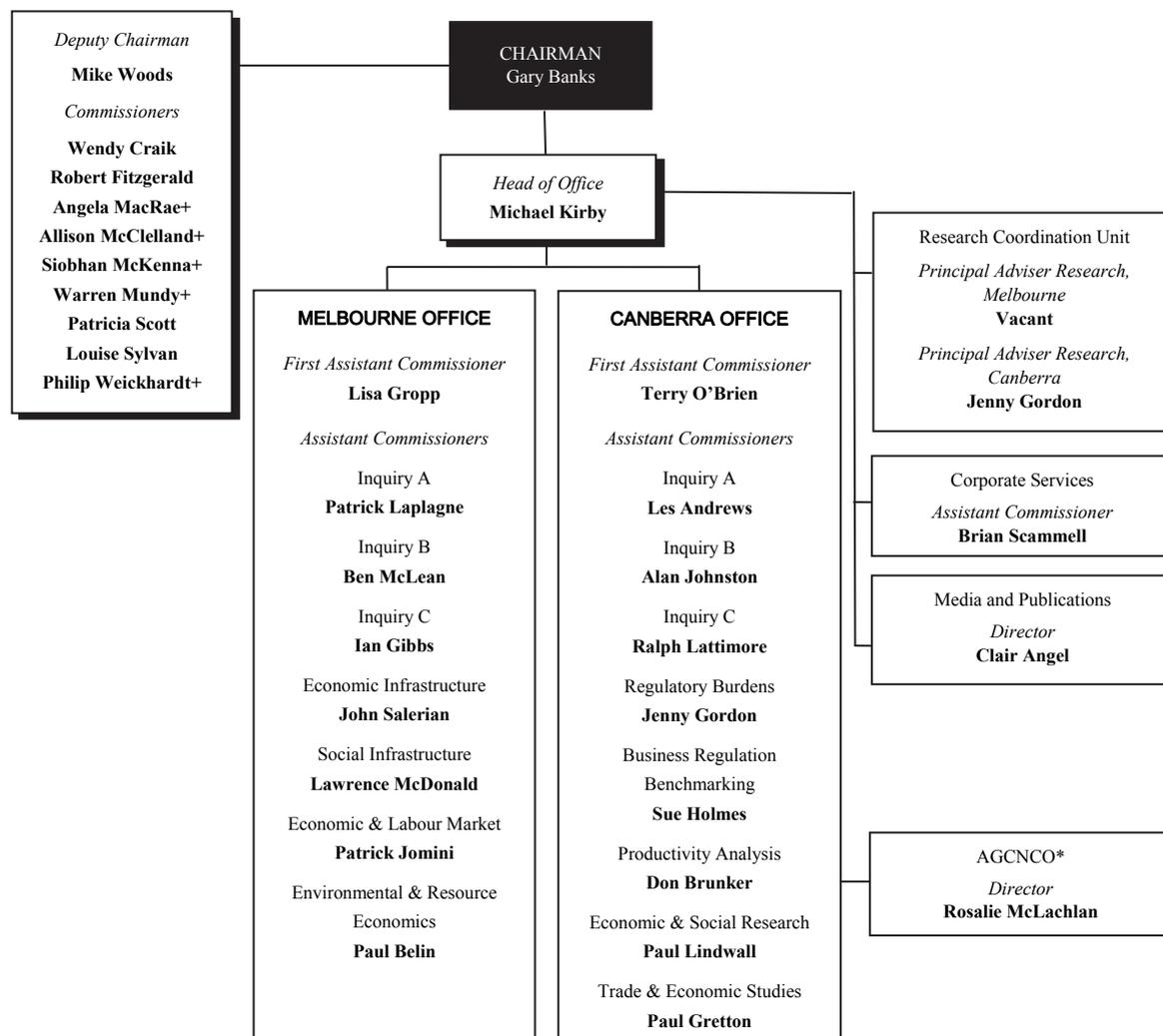
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Alison McClelland was appointed a part-time Commissioner on 8 December 2010 for a period of five years. Immediately prior to her appointment, Ms McClelland was Executive Director, Strategic Policy, Research and Forecasting at the Victorian Government Department for Planning and Community Development. She had previously been Associate Professor and Head of School, Social Work and Social Policy, La Trobe University. Ms McClelland has also been Director of the Brotherhood of St Laurence, responsible for Social Action and Research. She has held several positions with the Australian Council of Social Service over the past 20 years, including honorary policy advisor on economics and tax, board member and Deputy President. Ms McClelland is currently on the advisory committee for the Melbourne Institute of Applied Economic and Social Research and is an Adjunct Professor at La Trobe University. She has a Bachelor of Arts, Diploma of Social Studies and Master of Arts from Melbourne University.

On 8 December 2010 Dr Warren Mundy was appointed a part-time Commissioner for a period of five years. He had been previously appointed as a part-time Associate Commissioner in December 2009 for the Business and Consumer Services commissioned study, and had also served in this capacity during the early stages of the Urban Water inquiry. Dr Mundy has over a decade of experience in the infrastructure sector covering management, planning and development, economic and environmental regulation and commercial negotiation of access agreements. For a number of years he was the principal regulatory and economic adviser to the Australian Council for Infrastructure Development. Dr Mundy has held senior executive roles in the airports industry in both Australia and Europe and has worked for the Reserve Bank and the WA Treasury Corporation. He has been a Director of Vicforests, the Airport Operators Association of the United Kingdom and James Watt College of Higher and Further Education in Scotland. In 2010, Dr Mundy was invited to become a Fellow of the Royal Aeronautical Society of London. He is currently the Deputy Chair of AirServices Australia. Dr Mundy has a PhD in economics from Kings College Cambridge. He has undergraduate qualifications in statistics and post graduate qualifications in corporate finance and corporate governance.

Biographical information on other Commissioners is available on the Commission's website and their terms of appointment are listed in table B1.1 of attachment B1.

Figure B.1 **Productivity Commission structure and senior staff,**  
30 June 2011



+ Part-time Commissioners

\* Australian Government Competitive Neutrality Complaints Office

## Associate Commissioners

At 30 June 2011, two Associate Commissioner appointments were current (table B1.2 of attachment B1).

On 7 October 2010 Mr John Sutton was appointed on a part-time basis for the duration of the inquiry into the economic regulation of airport services. Mr Sutton has worked in various roles with the Construction Forestry Mining and Energy Union (CFMEU) and predecessor Building Workers' Industrial Union (BWIU) for

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30 years, including as National Secretary. From 2007 until 2010 he was Vice President of the Australian Council of Trade Unions (ACTU). Mr Sutton has also been a member of a number of government advisory committees, including the Sustainable Development Advisory Panel, the National Resources Sector Employment Taskforce, and the Skilled Migration Consultative Panel.

Mr John Walsh continued as an Associate Commissioner during 2010-11 working on the inquiry into disability care and support.

Associate Commissioner appointments completed during 2010-11 are listed in table B1.3 of attachment B1.

## **Staff**

The average staffing level during 2010-11 was 193 compared to 188 in 2009-10.

The Commission recruited 24 staff during the year, including six through its graduate recruitment program. Staff turnover was approximately 10.7 per cent.

Statistical information on staffing is provided in tables B1.4 to B1.6 of attachment B1.

## **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 110 — are summarised in table B.1. An agency resource statement for 2010-11 is included at Attachment B2. Performance information in respect of this outcome is provided in appendix C.

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

|   | <i>Budget *</i><br>2010-11<br>\$'000 | <i>Actual</i><br>2010-11<br>\$'000 | <i>Variation</i><br>\$'000 |
|---|--------------------------------------|------------------------------------|----------------------------|
|   | (a)                                  | (b)                                | (a-b)                      |
| <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> |                                      |                                    |                            |
| <b>Program 1.1 Productivity Commission</b>  |                                      |                                    |                            |
| Departmental Expenses   |                                      |                                    |                            |
| Ordinary annual services (Appropriation Bill No. 1)   | 37 279                               | 35 975                             | 1 304                      |
| Revenues from independent sources (Section 31)  | 272                                  | 272                                | -                          |
| Expenses not requiring appropriation in the Budget year   | 1033                                 | 1033                               | -                          |
| <b>Total for Outcome 1</b>  | <b>38 584</b>                        | <b>37 280</b>                      | <b>1 304</b>               |
|   | 2009-10                              | 2010-11                            |                            |
| Average Staffing Level (number)   | 188                                  | 193                                |                            |

\* Full-year budget, including any subsequent adjustment made to the 2010-11 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 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.

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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 Melbourne and Canberra Principal Advisers Research (alternate chairs), the Chairman, the Deputy Chairman, the Head of Office, the Melbourne and Canberra First Assistant Commissioners and two research 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, timeliness and resource use aspects of the assigned project or activity.

## **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.

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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) and two senior members of staff. 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. No instances of fraud were reported during 2010-11. The Chairman's certification in respect of fraud control is at Attachment B3.

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

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readily available to all employees. Staff awareness and training sessions are offered in these topics.

## **External and internal scrutiny**

The Commission's transparent and consultative processes, which provide for community participation and scrutiny of 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 C 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.

Performance against the charters is monitored on an exceptions basis — that is, by complaints to designated senior managers. No complaints were received during 2010-11 in respect of either charter.

The Auditor-General issued an unqualified independent audit report on the Commission's 2010-11 financial statements.

References to particular reports of the Commission made by federal parliamentary committees during the year are detailed in appendix C. Details of the Commission's appearances at Senate Estimates hearings in 2010-11 are included in appendix C.

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 2010-11 the Commission continued to enhance the structure and presentation of website content, with a particular focus on accessibility for participants in the Commission's public inquiry into a long-term disability care and support scheme.

*Information technology:* Maintenance, review and upgrade of Commission ICT infrastructure has continued. In 2010-11, this included replacement of desktop and

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laptop computers, relocation of computer services as part of the Melbourne office move, and an upgrade to the contact database of parties interested in the Commission's work.

*Human Resources:* During 2010-11, the Commission continued a system of performance appraisal for staff and senior executives, including 'upwards appraisal' for Commissioners, intended to enhance individual development and improve organisational performance. The Commission's staff development program also had a particular focus on report writing skills during 2010-11.

*Internal Audit:* The Commission re-engaged an accounting firm, PKF, to conduct a program of internal audits over a three-year period commencing in 2009-10. Internal audits conducted in 2010-11 focused on IT disaster recovery, payroll and accounts payable. 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

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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. Six new employees were engaged during 2010-11 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 Committee and applied to a variety of initiatives including conditions of service, developing employment agreements, and employee retention strategies.

## **Remuneration and employment conditions**

Commissioners are part of the Principal Executive Office structure established by the Government. The Chairman, as the 'employing body', is responsible for determining Commissioners' remuneration within guidelines and parameters set and reviewed by the Remuneration Tribunal. The Chairman's remuneration continues to be set directly by the Tribunal.

The Commission's 19 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 SES Remuneration Survey conducted for the Australian Public Service Commission.

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

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.

During 2010-11, negotiations commenced in relation to a new enterprise agreement for the Commission's non-SES employees. The new agreement has a nominal expiry date of 30 June 2014. The levels of remuneration and terms and conditions of employment of approximately 180 employees are covered by this agreement.

The new enterprise agreement provides improvements in remuneration and other conditions, while also providing a basis for productivity improvements. The

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agreement includes a number of provisions aimed at providing work/life balance and a satisfying and rewarding environment for employees. It was approved on 22 September 2011.

## **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 and performance bonuses
- identify learning and development needs
- assist in identifying and managing underperformance.

Ahead of each appraisal round — which occurs at six-monthly intervals — senior staff attend 'context setting' meetings to promote a consistent approach to the appraisal process and outcomes. 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. Senior Executive remuneration continues to include potential to receive a performance related bonus, in keeping with the policy of having a higher proportion of SES employees' remuneration 'at risk'. In October 2010 the Remuneration Tribunal removed access to performance pay for Commissioners and rolled a compensatory amount into their total remuneration.

Performance bonuses paid for 2010-11 are summarised in table B.2.

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**Table B.2 Performance bonuses paid for 2010-11**

| <i>Classification level</i>  | <i>Employees receiving bonus</i> | <i>Total bonuses paid</i> | <i>Average bonus paid</i> |
|------------------------------|----------------------------------|---------------------------|---------------------------|
| Staff Level 1                | 0                                | 0                         | 0                         |
| Staff Level 2                | 0                                | 0                         | 0                         |
| Staff Level 3                | 0                                | 0                         | 0                         |
| Staff Level 4                | 0                                | 0                         | 0                         |
| SES                          | 20                               | 214 911                   | 10 745                    |
| Principal Executive Officers | 0                                | 0                         | 0                         |
| <b>Total</b>                 | <b>20</b>                        | <b>214 911</b>            | <b>10 745</b>             |

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

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Recorded expenditure on learning and development in 2010-11 was 1.6 per cent of the annual salary budget. This expenditure related to:

- 189 employees who undertook a total of 568 days of specific training and development
- 63 attended general development programs
- 12 employees who received studies assistance in the form of paid leave and assistance with fees in the pursuit of tertiary qualifications
- 1 employee received assistance as part of a Post Graduate Study Award.

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.

### **Occupational health & safety (OHS)**

An OHS Committee oversees the Commission's health and safety program. Committee membership includes health and safety representatives and staff observers from both offices. The Committee met three times during 2010-11.

In consultation with staff, in early 2011 the Commission reviewed and re-issued its Health and Safety Management Arrangements (HSMA).

No formal OHS investigations were conducted during the year and the Commission was not required to give any notices under section 68 of the *Occupational Health and Safety Act 1991*. No notices under sections 29, 46 or 47 of that Act were given to the Commission during 2010-11.

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

OHS activities during the year included:

- Commission-funded flu vaccinations (take up rate in 2010-11 was around 55 per cent)
- ergonomic work station assessments (73 were completed, including 30 as part of the induction program and 10 assessments due to workplace relocation — they are provided for all new employees as well as existing employees who require advice).
- regular workplace hazard inspections conducted by members of the OHS Committee

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- desk calendars for all employees promoting emergency evacuation and threat procedures
  - the opportunity for employees to complete working hours questionnaires
  - workplace health-related seminars.

## **Employee Assistance Program**

The Commission offers its employees independent, confidential and professional counselling, consultation and training assistance for work-related or personal issues. Five employees or their families utilised the service in 2010-11.

## **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. In March 2011, the Commission's Equity and Diversity Plan was reviewed and re-issued. Information sessions on the Commission's Workplace Behaviour policy were provided to all staff in May 2011.

## **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 are no longer required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy which sets out a ten-year national policy framework for improving life for Australians with disability, their families and carers. A high level report to track progress for people with disability at a national level will be produced by the Standing Council on Community, Housing and Disability Services to the Council of Australian Governments 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

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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*.

The annual Appropriation Acts provide the major source of revenue for the operations of the Commission. Revenue from government increased in 2010-11 to \$37.3 million (\$34.4 million in 2009-10). Revenue from other sources was consistent with the previous year at \$0.3 million.

Additional funding was provided to the Commission at Additional Estimates, for a 'Study into emission reduction policies in key economies'. Further information on that funding is provided in the 2010-11 Treasury Portfolio Additional Estimates Statements.

Operating expenses also increased in 2010-11 to \$37.3 million (\$33.7 million in 2009-10). The major expenses in 2010-11 were \$26.8 million in respect of employee expenses, \$9.4 million relating to supplier payments, and \$1.1 million in asset depreciation, amortisation and related expenses.

The operating result for 2010-11 was a \$0.3 million surplus (\$1.3 million in 2009-10).

Table B.1 provides a summary of financial and staffing resources. The agency resource statement is provided at Attachment B2. The audited financial statements for 2010-11 are shown in appendix H.

## **Other information**

### **Purchasing**

The Commission applies the Commonwealth Procurement Guidelines. The Commission's purchases of goods and services during 2010-11 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

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during 2010-11 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 2010-11, nine new consultancy contracts were entered into involving total actual expenditure of \$35 835. There were no ongoing consultancy contracts from the previous year.

Table B.3 provides information on expenditure on consultants in the five years to 2010-11.

Further information on consultancies, as required by government reporting requirements, is provided in Attachment B4.

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 B.3 Expenditure on consultancies, 2006-07 to 2010-11**

|             | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|-------------|---------|---------|---------|---------|---------|
|             | \$'000  | \$'000  | \$'000  | \$'000  | \$'000  |
| Expenditure | 229     | 493     | 124     | 49      | 36      |

## Special payments

The Commission made a number of special payments during 2010-11. Such payments were made to organisations and activities judged by management as making a worthwhile contribution to the Commission's outputs. The main payments were as follows:

*Consortium memberships:* \$22 082 for membership of the Global Trade Analysis Project Consortium based at Purdue University in the United States. The Commission's contribution supports the development and updating of a publicly available database and model framework for multi-country trade policy analysis. It gives the Commission early access to database updates that are needed in its

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research, priority access to model training, and input to the future direction of model and database development.

*Research partnerships:* \$16 500 to the University of Canberra for an ARC partnership project on social and fiscal policy implications of an ageing population; \$22 000 to the University of NSW for an ARC partnership project on productivity measurement in infrastructure, services, and research and development; and \$10 000 to the University of Queensland for an ARC partnership project on utilisation of social science research in policy development and program review.

*Conference sponsorships:* \$5500 to the 55<sup>th</sup> Australian Agricultural and Resource Economics Society National Conference; \$10 000 for the Australian Conference of Economists 2010; \$27 500 to the 2011 Economic and Social Outlook Conference; and \$8250 to the Economics Society of Australia for the Eminent Speaker Series – Professor Joseph Stiglitz.

*Awards:* \$1200 to the 2010 top student, Economics Honours, at Monash University (R H Snape Productivity Commission Prize); \$1000 to the top student, Master of Economics, at the Australian National University (Robert Jones Productivity Commission Prize); \$350 to the top Microeconomics student at La Trobe University.

## **Legal services**

Total expenditure on legal services in 2010-11 was \$61 968. 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)).

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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 Australia's urban water sector and Emission reduction policies and carbon prices in key economies 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.

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## **Publications and submissions**

Appendix G lists all the Commission's publications in 2010-11.

## **Freedom of information**

No requests were received in 2010-11 for access to information under the *Freedom of Information Act 1982*. A statement encompassing formal reporting requirements is provided in Attachment B5.

## **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 \$172 769 was paid for advertising (including recruitment advertising) in 2010-11 to Adcorp Australia Ltd.

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

Information contained in this annual report is provided in accordance with section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*, section 49 of the *Financial Management and Accountability Act 1997* and section 8 of the *Freedom of Information Act 1982*.

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 B6.

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

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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  
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# Attachment B1

## Commissioner and employee statistics

Table B1.1 **Chairman and Commissioners, 30 June 2011**

|                                | <i>Current period of appointment</i> |              |
|--------------------------------|--------------------------------------|--------------|
|                                | <i>From</i>                          | <i>To</i>    |
| Mr G R Banks AO (Chairman)     | 20 May 2008                          | 19 May 2013  |
| Mr M C Woods (Deputy Chairman) | 17 Apr 2011                          | 16 Apr 2016  |
| Dr W Craik AM (C)              | 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   |
| Ms L Sylvan (C)                | 1 Aug 2008                           | 31 July 2013 |
| 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 B1.2 **Part-time Associate Commissioners, 30 June 2011**

|             | <i>Inquiry/Study</i>                    | <i>Period of appointment<sup>a</sup></i> |             |
|-------------|---|--|-------------|
|             |   | <i>From</i>                              | <i>To</i>   |
| Mr J Walsh  | Disability Care and Support             | 14 Apr 2010                              | 13 Oct 2011 |
| Mr J Sutton | Economic Regulation of Airport Services | 7 Oct 2010                               | 6 Jan 2012  |

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

**Table B1.3 Part-time Associate Commissioners completing appointments during 2010-11**

|               | <i>Inquiry/Study</i>   | <i>Period of appointment</i> |             |
|---------------|--|------------------------------|-------------|
|               |  | <i>From</i>                  | <i>To</i>   |
| Mr A Stoler   | Bilateral and Regional Trade Agreements.   | 16 Nov 2009                  | 15 Dec 2010 |
| Mr P Coghlan  | Performance Benchmarking of Australian Business Regulation                       | 1 Apr 2010                   | 31 May 2011 |
| Ms S Macri AM | Caring for Older Australians   | 15 May 2010                  | 31 May 2011 |
| Dr C Samson   | Rural Research and Development Corporations                                      | 22 Feb 2010                  | 14 Mar 2011 |
| Dr W Mundy    | Annual Review of Regulatory Burdens on Business – Business and Consumer Services | 9 Dec 2009                   | 30 Sep 2010 |

**Table B1.4 Employees by location and gender, 30 June 2011**

| <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                | 1           | 1            | 0               | 0           | 0            | 0             | 1           | 1            |
| SES Band 2  | 1                | 0           | 1            | 1               | 1           | 2            | 2             | 1           | 3            |
| SES Band 1  | 0                | 8           | 8            | 1               | 6           | 7            | 1             | 14          | 15           |
| Staff Level 4                                     | 10               | 13          | 23           | 7               | 18          | 25           | 17            | 31          | 48           |
| Staff Level 3                                     | 22               | 11          | 33           | 6               | 7           | 13           | 28            | 18          | 46           |
| Staff Level 2                                     | 22               | 17          | 39           | 7               | 11          | 18           | 29            | 28          | 57           |
| Staff Level 1                                     | 12               | 5           | 17           | 8               | 2           | 10           | 20            | 7           | 27           |
| <b>Total<sup>b</sup></b>                          | <b>67</b>        | <b>55</b>   | <b>122</b>   | <b>30</b>       | <b>45</b>   | <b>75</b>    | <b>97</b>     | <b>100</b>  | <b>197</b>   |
| Corresponding totals at 30 June 2010 <sup>a</sup> | 64               | 51          | 115          | 28              | 46          | 74           | 92            | 97          | 189          |

<sup>a</sup> Totals exclude 7 inoperative employees at 30 June 2010. <sup>b</sup> Totals exclude 6 inoperative employees at 30 June 2011; 2011 totals also include 1 acting SL3, and 3 acting SL2s.

**Table B1.5 Employees by employment status and gender, 30 June 2011**

| 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         | 1         | 0        | 1          | 3          | 0         | 3          |
| SES Band 1  | 1         | 0         | 1         | 14        | 0        | 14         | 15         | 0         | 15         |
| Staff Level 4                                     | 12        | 5         | 17        | 28        | 3        | 31         | 40         | 8         | 48         |
| Staff Level 3                                     | 22        | 6         | 28        | 18        | 0        | 18         | 40         | 6         | 46         |
| Staff Level 2                                     | 21        | 8         | 29        | 25        | 3        | 28         | 46         | 11        | 57         |
| Staff Level 1                                     | 14        | 6         | 20        | 7         | 0        | 7          | 21         | 6         | 27         |
| <b>Total<sup>b</sup></b>                          | <b>72</b> | <b>25</b> | <b>97</b> | <b>94</b> | <b>6</b> | <b>100</b> | <b>166</b> | <b>31</b> | <b>197</b> |
| Corresponding totals at 30 June 2010 <sup>a</sup> | 67        | 25        | 92        | 93        | 4        | 97         | 160        | 29        | 189        |

<sup>a</sup> Totals exclude 7 inoperative employees at 30 June 2010. <sup>b</sup> Totals exclude 6 inoperative employees at 30 June 2011; 2011 totals also include 1 acting SL3, and 3 acting SL2s.

**Table B1.6 Employees by level and reason for separation, 2010-11**

| Level                                | Promotion | Transfer | Resignation | Invalidity |                  |          | Other     | Total     |
|--------------------------------------|-----------|----------|-------------|------------|------------------|----------|-----------|-----------|
|                                      |           |          |             | Retirement | VRP <sup>a</sup> |          |           |           |
| SES                                  | 0         | 0        | 0           | 0          | 0                | 0        | 0         | 0         |
| Staff Level 4                        | 0         | 1        | 3           | 0          | 0                | 0        | 4         | 4         |
| Staff Level 3                        | 0         | 2        | 2           | 0          | 0                | 1        | 5         | 5         |
| Staff Level 2                        | 1         | 2        | 5           | 0          | 0                | 0        | 8         | 8         |
| Staff Level 1                        | 0         | 1        | 3           | 0          | 0                | 0        | 4         | 4         |
| <b>Total</b>                         | <b>1</b>  | <b>6</b> | <b>13</b>   | <b>0</b>   | <b>0</b>         | <b>1</b> | <b>21</b> | <b>21</b> |
| Corresponding totals at 30 June 2010 | 0         | 5        | 6           | 1          | 0                | 0        | 12        | 12        |

<sup>a</sup> Voluntary Redundancy Package

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## Attachment B2

### Agency Resource Statement — 2010-11

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|  | <i>Actual<br/>Available<br/>Appropriation<br/>2010-11</i> | <i>Payments<br/>Made<br/>2010-11</i> | <i>Balance<br/>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            | 10 201  |                                      |                              |
| Departmental appropriation 2010-11               | 41 424  | 35 828                               |                              |
| <b>S.31 Relevant agency receipts<sup>2</sup></b> | 2 708   | 2 708                                |                              |
| <b>Total ordinary annual services</b>            | <u>54 333</u>   | <u>38 536</u>                        | <u>15 797</u>                |
| <b>Total Resourcing and Payments</b>             | <u><b>54 333</b></u>                                      | <u><b>38 536</b></u>                 | <u><b>15 797</b></u>         |

<sup>1</sup> Appropriation Bill (No.1) 2010-11 and Appropriation Bill (No.3) 2010-11.

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

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**Australian Government**  
**Productivity Commission**

GPO Box 1428  
Canberra City ACT 2601  
Telephone 02 6240 3202  
Facsimile 02 6240 3300  
[www.pc.gov.au](http://www.pc.gov.au)

***From the Chairman's Office***

24 August 2011

### **Annual Report 2010-11 – 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 'G. Banks'.

Gary Banks AO  
Chairman

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## Attachment B4

### Consultancies

The following information is provided in accordance with government reporting requirements.

### Selection

The Commission selects and engages consultants under the following circumstances:

- unavailability of specialist in-house resources within the project timeframe
- a need for independent expert advice, information or evaluation to assist in its research
- a need for specialised professional services including legal advice and benchmarking of its activities.

### Procedures

The Commission's selection procedures follow the value-for-money objectives of the *Commonwealth Procurement Guidelines*. Under the *Productivity Commission Act 1998*, if the estimated value of a consultancy exceeds the amount prescribed by the regulations, the Chairman must ensure that an open, competitive tendering process is used in selecting the consultant. The amount prescribed by the regulations is \$80 000, which aligns with the mandatory open tender threshold set out in the procurement guidelines.

### Purposes

The main purpose for which consultants were engaged in 2010-11 was to referee particular pieces of work.

### Consultancies over \$10 000

The following table lists those consultancies let in 2010-11 valued at \$10 000 or more, including the method of selection, the reason for the consultancy and a summary of the overall costs involved. The total figure refers to total value of the contracts let, irrespective of the period of the contract, noting that contracts may be for periods in excess of one year.

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## Consultancy contracts let in 2010-11 valued at \$10 000 or more

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| <i>Consultant</i>                   | <i>Nature of consultancy</i> | <i>Contract Amount</i> | <i>Selection Process (1)</i> | <i>Justification (2)</i> |
|-------------------------------------|------------------------------|------------------------|------------------------------|--------------------------|
| Applied Aged Care Solutions Pty Ltd | Aged Care Modelling          | 18 000                 | 3                            | B                        |
| <b>Total</b>                        |                              | <b>18 000</b>          |                              |                          |

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### **(1) Procurement Method**

1. Open Tender
2. Select Tender
3. Direct Sourcing
4. Panel

### **(2) Reason for Contract**

- A. skills currently unavailable within agency
- B. need for specialised or professional skills
- C. need for an independent research or assessment

### **GST**

All figures are GST inclusive.

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## **Attachment B5**

### **Freedom of Information Statement**

From 1 May 2011 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. An agency plan showing what information is published in accordance with the IPS requirements is accessible from agency websites.

The following information is provided in accordance with section 8(1) of the *Freedom of Information Act 1982* for the period 1 July 2010 to 30 April 2011.

### **Organisation, role and functions**

The role, functions and organisational structure of the Commission are detailed elsewhere in this report.

### **Arrangements for outside participation**

The Commission is required under its Act to conduct public inquiries on matters referred to it by the Government and the Commission's inquiry procedures actively seek to encourage participation by all interested parties. In respect of its non-inquiry work, the Commission's procedures aim to promote transparency to the greatest extent possible.

The Commission may require people to send it information and summon persons to give evidence. People who assist the Commission by providing information, giving evidence at hearings or in any other way assist the Commission in the performance of its functions have protection under the Productivity Commission Act from intimidation and civil actions. Details of inquiry participation and consultation are given in each inquiry and commissioned research report.

The Commission periodically invites a range of government departments and agencies, peak employer bodies, unions, community and environmental groups and academics to consultations on the Commission's supporting research program. The Commission also meets with academics in various cities for the same purpose.

---

The Commission acts as the Secretariat for the Steering Committee for the Review of Government Service Provision. The Committee comprises senior representatives from the Australian, State and Territory governments.

The procedures of the Australian Government Competitive Neutrality Complaints Office allow any individual, organisation or government body to consider and, if necessary, lodge a complaint in relation to the application of competitive neutrality policy.

### **Categories of documents**

Principal categories include:

- commissioned project records including information circulars, issues papers, project guidelines, draft and final reports, submissions, participant correspondence and public hearing transcripts
- documents relating to performance monitoring across the Australian Government, States and Territories
- documents relating to national and international benchmarking
- competitive neutrality complaint queries and details of investigations
- documents relating to research on industry and productivity issues
- administrative, policy, procedural and contractual documents, relating to information technology, human and financial resource management
- legal advice and other legal documents
- Freedom of Information documents
- media releases
- mailing lists
- speeches
- consultancy documents
- service charters
- parliamentary questions and answers
- submissions to inquiries undertaken by other organisations.

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## Facilities for access

Information circulars, issues papers, project guidelines and draft reports are sent to interested parties and project participants. They are also available from the Commission's website or free of charge from the Commission. Final reports are distributed, free of charge, to project participants and are also available from the Commission's website.

Documents available from the Commission's website and for purchase from CanPrint Communications include:

- the Commission's annual report series
- final inquiry reports, research reports and research papers
- reports by the Steering Committee for the Review of Government Service Provision.

Reports on competitive neutrality matters, submissions made by the Commission to other review bodies and Staff Working Papers are available from the Commission's website.

Copies of submissions (excluding confidential material) made to public inquiries, and transcripts of public hearings are available from the Commission's website.

Information and written requests for access to Commission documents under the *Freedom of Information Act 1982* can be made to:

FOI Coordinator  
Productivity Commission  
Locked Bag 2  
Collins Street East Post Office  
MELBOURNE VIC 8003  
Telephone: (03) 9653 2107  
Facsimile: (03) 9653 2199

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## Attachment B6

### Compliance index

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

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### ***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<br>appendix C |
| s.10(2) matters referred to the Commission | appendix E                  |
| s.10(4) competitive neutrality complaints  | appendix D                  |

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

- *Trade & Assistance Review 2010-11*