
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 five outputs comprise public inquiries and other government-commissioned projects, performance reporting and other services to government bodies, regulation review and competitive neutrality complaints activities, as well as 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 outputs and related performance in 2005-06.

Assessment of the Commission's performance

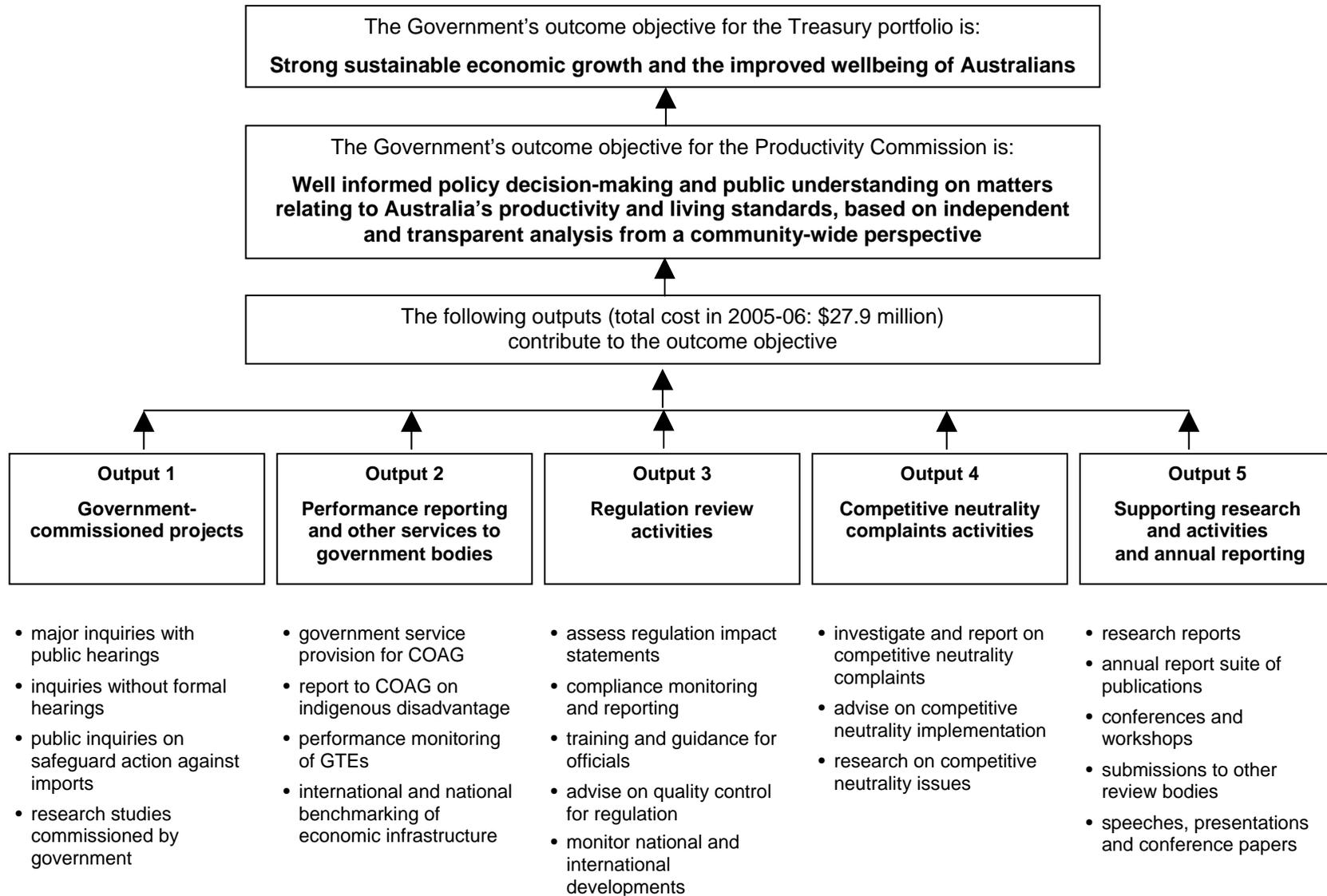
The Government's single outcome objective for the Commission against which the Commission's overall performance is to be assessed is:

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. Having regard to the Government's accrual-based outcomes and outputs framework, and with the agreement of the Treasurer, these activities have been classified into five outputs:

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

Figure B.1 **Productivity Commission outcome/output framework 2005-06**



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

Strong sustainable economic growth and the improved wellbeing of Australians.

Commission activities

All of the Commission's activities in its five output groups are directed at meeting the policy needs of the Government, or otherwise fulfilling statutory requirements. These activities are:

- undertaking individual projects specifically commissioned by the Government (Output 1);
- meeting standing research, investigatory and advisory functions nominated by the Government (Outputs 2, 3 and 4); and
- 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 Government's policy priorities (Output 5).

Government-commissioned projects have individual terms of reference. *Public inquiries* involve extensive public consultation — such as 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 views 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 narrower in scope, and required in shorter timeframes, than inquiries. They typically require less public interaction than inquiries. 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.

The Government has established a number of standing research, investigatory and advisory activities for the Commission. These comprise:

- secretariat and research services for the Steering Committee for the Review of Government Service Provision. The Steering Committee is responsible for the publication of national performance indicators for service provision and (more recently) indigenous disadvantage, and related research reports;

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- performance monitoring and related research reports on government trading enterprises that fulfil the commitment for the Commission to continue the work of the former COAG Steering Committee on National Performance Monitoring of Government Trading Enterprises;
 - national and international benchmarking of key economic infrastructure industries, a standing research direction from the Government. Although the Commission has some discretion in the choice of industry and timing, reporting is guided by an assessment of the Government's policy needs;
 - advisory and research activities related to regulation review, together with annual reporting on compliance with the Government's regulation impact statement requirements (published as *Regulation and its Review*), as set out in the 1997 Charter of the Office of Regulation Review (box B.3);
 - reports and related activities necessary to meet the Commission's statutory obligation to investigate complaints about the implementation of the Australian Government's competitive neutrality arrangements; and
 - statutory annual reporting on assistance and regulation affecting industry (published as the *Trade & Assistance Review*) and on industry and productivity performance generally (encompassed in the Commission's Annual Report).

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

The Commission has a statutory mandate to conduct its own program of research to support its annual reporting and other responsibilities, and to promote community 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 by drawing on an extensive consultation process 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 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 which are linked to specific outputs and have been agreed with the Treasurer (box B.1). Subsequent sections of this appendix report against these indicators for each of its five outputs. Feedback surveys undertaken in the year, use of Commission outputs 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.

Box B.1 Performance indicators for Commission outputs	
Output	Indicators
Government-commissioned projects	Projects of a high standard, useful to government, undertaken in accordance with required processes and on time
Performance reporting and other services to government bodies	Reports of a high standard, useful to government and completed on time
Regulation review activities	Regulation Impact Statement assessments and associated activities of a high standard, advice useful to government and on time
Competitive neutrality complaints activities	Competitive neutrality complaints successfully resolved within 90 days, associated activities of a high standard and useful to government
Supporting research and activities and statutory annual reporting	Reports, projects and associated activities of a high standard, useful to government, raising community awareness and on time

Firstly, the effectiveness with which the Commission's outputs 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 analysis or advice.

Secondly, the Commission's work program often covers contentious and complex structural policy issues, where the Commission's impact should properly be assessed over the medium to long term. Two such Commission inquiry reports were those on gambling (1999) and broadcasting (2000). Other examples from the past year also demonstrate the 'shelf life' of a variety of Commission reports in policy formulation and debate (box B.2).

Thirdly, the Commission has to give priority to certain outputs and allocate 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, regulation impact statement assessments 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 or timeliness of outputs 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.

Fourthly, the Commission has no control over the release of its final inquiry reports, although the Productivity Commission Act requires that the Minister table inquiry reports in Parliament within 25 sitting days of receipt. The time taken for decisions on such reports or 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.

- The Commission's recent inquiry reports on the private cost effectiveness of improving energy efficiency and on heritage were both released well within the statutory period.
- The Government released the Commission's June 2004 report on the gas access regime in August 2004. The Ministerial Council on Energy announced its support for key Commission recommendations in May 2006.

Box B.2 The longer term influence of Commission reports

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

- Analysis in the Commission's 2000 inquiry report on broadcasting continued to be used this year in parliamentary debate, parliamentary committee work on the slow uptake of digital television in Australia, Parliamentary Library resources materials on media regulation, and commentary on media policy (for example, the Communications Law Centre (2006). The Government's regulation impact statement in the Explanatory Memorandum to the Broadcasting Services Amendment (Media Ownership) Bill 2006 drew support from a number of Commission findings, including the link between ownership and media diversity and analysis of foreign investment controls, but rejected the package of measures that the Commission proposed accompany the removal of cross-media ownership rules.
- The Commission's 1999 inquiry report on gambling remains a prime reference source in parliamentary, media and community debate on gambling issues.
- The 2006 OECD Economic Survey of Australia drew on findings from Commission reports on State taxation bases (1998 Staff Working Paper, *Directions for State Tax Reform*), interstate bidding wars (1996 inquiry report, *State, Territory and Local Government Assistance to Industry*) and pharmaceutical prices in Australia (2001 Commission Research Report, *International Pharmaceutical Price Differences*).
- Supporting research outputs from 1999 and 2000 on the links between reform and productivity were drawn on by the Senate Economics Committee in its consideration of the Government's Work Choices legislation.
- The Parliamentary Library Research Brief of March 2006 on the liberalisation of international passenger airline services drew extensively on the analysis and findings in the Commission's 1998 inquiry report, *International Air Services*.
- In its latest monitoring report on container stevedoring the ACCC (2006) cited findings in the Commission's analysis of container stevedoring work arrangements (1998) and international benchmarking study of container stevedoring (2003).
- A recent discussion paper for the National Aged Care Alliance on options for long-term financing of aged care (Bruen 2006) drew on the Commission's 1999 inquiry report, *Nursing Home Subsidies*.
- The ACCI (2005) position paper, *The Economic Case for Workplace Relations Reform*, drew on findings from the 1998 Staff Research Paper on youth wages.
- The 2000 Staff Research Paper, *Single Desk Marketing: Assessing the Economic Arguments*, was used by the Centre for International Economics (2005) in its analysis of a new marketing system for the Queensland sugar industry and was referred to in a number of editorials on AWB single desk marketing arrangements for Australian wheat.

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- The Commission completed its inquiry report on Part X of the Trade Practices Act in February 2005 and it was due to be tabled in June 2005. The report was tabled in October 2005. The Government's decision — to reject the Commission's preferred option but amend Part X in ways consistent with other Commission recommendations — was announced in August 2006.
 - Although the Commission's 2000 inquiry report on broadcasting has been a reference point in much subsequent policy debate on the reform of Australian broadcasting regulation, the Government has not responded formally to the report. The Government did, however, recently refer to the Commission's report in its Explanatory Memorandum to its Broadcasting Services Amendment (Media Ownership) Bill 2006 and drew on specific aspects of analysis in the report. Nevertheless, the Explanatory Memorandum stated:

While a good analysis of the broadcasting sector at the end of the 1990s, many of the issues identified by the PC have been overtaken by the media developments since that time. (Coonan 2006a, pp. 11–12)

The Minister has noted that traditional broadcasting is facing challenges from less regulated technologies such as broadband, mobile phones and the Internet and stated:

This rapid convergence has, in my view, made redundant the Productivity Commission recommendation made back in 2000 to price and allocate the existing analogue spectrum as a scarce resource. In fairness to the Productivity Commission the landscape has changed dramatically. (Coonan 2006b)

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

This appendix reviews some broad-based indicators of Commission performance before reporting on each of its five outputs against the indicators agreed under the Government's accrual-based outcomes and outputs framework.

Feedback surveys

The Commission has a rolling program of surveys and other initiatives to gather external feedback on a range of its activities. These surveys complement the feedback received through comments and submissions on draft reports, position papers, workshop papers and views expressed during public hearings and consultations on its research program.

The results of past surveys were reported in previous annual reports of the Commission 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 its supporting research program. Feedback from a survey of departments and agencies on the Office of Regulation Review (ORR) in 2005-06 is reported below (p. 129).

As noted in chapter 2, feedback opportunities provided through email, on-line survey forms and survey forms issued to participants in the Commission's public hearings remained little used in 2005-06. Comments received are passed to management and authors for consideration.

Commission outputs and the work of the Federal Parliament

The inquiries and reports which figured most prominently in federal parliamentary debate during 2005-06 were the Commission's reports on the national access regime, the Report on Government Services, on national frameworks for workers' compensation and OHS and on Australia's health workforce. As noted in chapter 2, 52 Members of the House of Representatives and 27 Senators collectively referred to 38 different Commission inquiries or reports, or to the Commission's role in policy processes, during the 2005-06 parliamentary proceedings.

During the year the Commission briefed two House of Representatives Standing Committees on aspects of its work: the Employment, Workplace Relations and Workforce Participation Committee on the report *Overcoming Indigenous Disadvantage*; and the Health and Ageing Committee on the Commission's health workforce study.

Four parliamentary committees made recommendations on issues for examination by the Commission or specifically endorsed recommendations made by the Commission.

- In its October 2005 report *Consenting adults, deficits and household debt: Links between Australia's current account deficit, the demand for imported goods and household debt*, the Senate Economics References Committee recommended that the Government reassess its decision to reject the Commission's 2004 recommendation (in its report on first home ownership) for a review of those aspects of the personal tax regime that have recently contributed to excessive investment in rental housing.
- The House of Representatives Standing Committee on Family and Human Services report, *Overseas Adoption in Australia: Report on the inquiry into adoption of children from overseas* of November 2005, recommended that the Commission (or more appropriately, the Steering Committee for the Review of Government

Service Provision) and the Australian Institute of Health and Welfare liaise on beginning publication of performance information on intercountry adoptions.

- In its March 2006 report *Living with salinity — a report on progress: The extent and economic impact of salinity in Australia*, the Senate Environment, Communications, Information Technology and the Arts References Committee recommended that a suitable body, such as the Productivity Commission or the Australian Bureau of Agricultural and Resource Economics, undertake a study into the future impacts and costs of salinity on infrastructure in urban and rural environments, and develop a long term strategy that includes consideration of federal, state and local government funding levels.
- In its June 2006 report *Pathways to technological innovation*, the House of Representatives Standing Committee on Science and Innovation supported the Commission's findings on intellectual property (in its report on national competition policy reforms) and recommended that the Government establish periodic re-review of intellectual property legislation according to National Competition Policy Agreements.

Commission outputs 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. The fourteen parliamentary committee reports listed in table B.1 referred to 20 different Commission inquiries or research outputs.
- People appearing at the hearings of parliamentary committees in 2005-06 referred to Commission outputs in more than 37 different topic areas
- Research material provided to parliamentarians during 2005-06 by the Parliamentary Library — such as Bills Digests, Research Briefs and Research Notes — referred to 13 different Commission outputs (table B.2). These included 10 inquiry and other commissioned research reports (and in particular, the study on the economic implications of an ageing Australia), the reports on governments services and Indigenous disadvantage, and the 2005 Richard Snape Lecture.

Performance audits undertaken by the Australian National Audit Office (ANAO) inform the Parliament and the Government about public sector administration and performance. During 2005-06 the ANAO drew on data from the Report on Government Services for two Audit Reports: *Administration of the Commonwealth State Territory Disability Agreement* (Report No. 14) and the *Commonwealth State Housing Agreement Follow-up Audit* (Report No. 46). A range of Commission findings in its 2002 inquiry report on the Job Network were cited in the ANAO audit reports on *Implementation of Job Network Employment Services Contract 3* (Report No. 6) and *Job Placement and Matching Services* (Report No. 49).

Table B.1 Use of Commission outputs in recent parliamentary committee reports

<i>Parliamentary Committee and report</i>	<i>Commission output used</i>
Senate Community Affairs References Committee, <i>Quality and equity in aged care</i> , June 2005	Steering Committee for the Review of Government Service Provision, <i>Report on Government Services 2005</i> ; mention of commissioned study then underway on Australia's health workforce
Senate Economics Legislation Committee, <i>Provisions of the Trade Practices Amendment (National Access Regime) Bill 2005</i> , September 2005	Inquiry Report, <i>Review of the National Access Regime</i> , September 2001
Senate Economics References Committee, <i>Consenting adults, deficits and household debt: Links between Australia's current account deficit, the demand for imported goods and household debt</i> , October 2005	Inquiry Report, <i>First Home Ownership</i> , March 2004; Annual Report, <i>Trade and Assistance Review 2003-04</i>
Senate Employment, Workplace Relations and Education Legislation Committee, <i>Provisions of the Workplace Relations Amendment (Work Choices) Bill 2005</i> , November 2005	Inquiry reports <i>First Home Ownership</i> , March 2004 & <i>Review of National Competition Policy Reforms</i> , February 2005; Commission Research Paper, <i>Microeconomic Reforms and Australian Productivity: Exploring the Links</i> , Volume 2: Case Studies, 1999; Staff Research Paper, <i>Productivity in Australia's Wholesale and Retail Trade</i> , October 2000
Senate Foreign Affairs, Defence and Trade References Committee <i>Opportunities and challenges: Australia's relationship with China</i> , November 2005	Staff Working Paper, <i>The Trade and Investment Effects of Preferential Trading Arrangements – Old and New Evidence</i> , May 2003
House of Representatives Standing Committee on Family and Human Services, <i>Overseas Adoption in Australia: Report on the inquiry into adoption of children from overseas</i> , November 2005	Inquiry Report, <i>Cost Recovery by Government Agencies</i> , August 2001; Steering Committee for the Review of Government Service Provision, <i>Report on Government Services 2005</i>
House of Representatives Standing Committee on Communications, Information, Technology and the Arts, <i>Digital Television: Who's Buying It?</i> , February 2006	Inquiry Report, <i>Broadcasting</i> , March 2000

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Table B.1 (continued)

<i>Parliamentary Committee and report</i>	<i>Commission output used</i>
Senate Employment, Workplace Relations and Education Legislation Committee <i>Provisions of the OHS and SRC Legislation Amendment Bill 2005</i> , May 2006	Inquiry Report, <i>National Workers' Compensation and Occupational Health and Safety Frameworks</i> , March 2004
House of Representatives Standing Committee on Economics, Finance and Public Administration, <i>Improving the superannuation savings of people under 40</i> , May 2006	Commission Research Report, <i>Economic Implications of an Ageing Australia</i> , Canberra, March 2005; Staff Research Paper, <i>Business Failure and Change: An Australian Perspective</i> , December 2000
Senate Economics Legislation Committee, <i>Provisions of the Petroleum Retail Legislation Repeal Bill 2006</i> , May 2006	Industry Commission Inquiry Report, <i>Petroleum Products</i> , July 1994
Senate Community Affairs References Committee, <i>Beyond petrol sniffing: renewing hope for Indigenous communities</i> , June 2006	Steering Committee for the Review of Government Service Provision, <i>Overcoming Indigenous Disadvantage, Key Indicators 2005</i>
House of Representatives Standing Committee on Science and Innovation, <i>Pathways to Technological Innovation</i> , June 2006	Inquiry Report, <i>Review of National Competition Policy Reforms</i> , February 2005; mention of current commissioned study on science and innovation
Senate Employment, Workplace Relations and Education Legislation Committee, <i>Provisions of the Independent Contractors Bill 2006 and the Workplace Relations Legislation Amendment (Independent Contractors) Bill 2006</i> , August 2006	Staff Research Paper, <i>Self Employed Contractors in Australia: Incidence and Characteristics</i> , September 2001
Joint Standing Committee on Migration, <i>Negotiating the maze: Review of arrangements for overseas skills recognition, upgrading and licensing</i> , September 2006	Commission Research Reports: <i>Economic Impacts of Migration and Population Growth</i> , April 2006; <i>Australia's Health Workforce</i> , December 2005; <i>Economic Implications of an Ageing Australia</i> , March 2005; <i>Evaluation of Mutual Recognition Schemes</i> , October 2003

Table B.2 Parliamentary Library use of Commission outputs in 2005-06

<i>Parliamentary Library output</i>	<i>Commission output used</i>
<i>Australian Workplace Safety Standards Bill 2005 & National Occupational Health and Safety Commission (Repeal, Consequential and Transitional Provisions) Bill 2005, Bills Digest Nos. 37–38, 2005-06, 30 August 2005</i>	<i>Inquiry Report, National Workers' Compensation and Occupational Health and Safety Frameworks, March 2004</i>
<i>Not on my account! Cost-shifting in the Australian health system, Research Note no. 6, 2005-06, 2 September 2005</i>	<i>Research Report, The Economic Implications of an Ageing Australia, March 2005</i>
<i>Energy Efficiency Opportunities Bill 2005, Bills Digest no. 54, 2005-06, 11 October 2005</i>	<i>Inquiry Draft Report, Energy Efficiency, April 2005</i>
<i>High unemployment at a time of low unemployment, Research Note no. 15, 2005-06, 31 October 2005</i>	<i>Steering Committee for the Review of Government Service Provision, Report on Government Services 2005 & Overcoming Indigenous Disadvantage, Key Indicators 2005</i>
<i>Health Legislation Amendment Bill 2005, Bills Digest no. 61, 2005-06, 1 November 2005</i>	<i>Research Report, Impacts of Advances in Medical Technology in Australia, August 2005</i>
<i>Superannuation, social security and retirement income, Research Brief no. 7, 2005-06, 17 November 2005</i>	<i>Research Report, The Economic Implications of an Ageing Australia, March 2005</i>
<i>Workplace Relations Amendment (Work Choices) Bill 2005, Bills Digest no. 66, 2005-06, 2 December 2005</i>	<i>Inquiry Report, Review of National Competition Policy Reforms, February 2005</i>
<i>Directions in China's foreign relations – implications for East Asia and Australia, Research Brief no. 9, 2005-06, 5 December 2005</i>	<i>Richard Snape Lecture, November 2005, Martin Wolf, 'Will Asian Mercantilism Meet its Waterloo?'</i>
<i>OHS and SRC Legislation Amendment Bill 2005, Bills Digest no. 90, 2005-06, 3 February 2006</i>	<i>Inquiry Report, National Workers' Compensation and Occupational Health and Safety Frameworks, March 2004</i>
<i>Future Fund Bill 2005, Bills Digest no. 93, 2005-06, 7 February 2006</i>	<i>Research Report, The Economic Implications of an Ageing Australia, March 2005</i>
<i>An adequate superannuation-based retirement income?, Research Brief no. 12, 2005–06, 16 March 2006</i>	<i>Research Report, The Economic Implications of an Ageing Australia, March 2005</i>
<i>Medical Savings Accounts – a possible health reform option for Australia?, Research Note no. 26, 2005-06, 23 March 2006</i>	<i>Research Reports, The Economic Implications of an Ageing Australia, March 2005 & Impacts of Advances in Medical Technology in Australia, August 2005</i>
<i>Liberalisation of international passenger airline services, Research Brief no. 14, 2005–06, 24 March 2006</i>	<i>Inquiry Report, International Air Services, September 1998</i>
<i>Fuel Tax Bill 2006, Bills Digest no. 117, 2005-06, 4 May 2006</i>	<i>Mention of current Commission inquiry on road and rail freight infrastructure pricing</i>

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Table B.2 (continued)

<i>Parliamentary Library output</i>	<i>Commission output used</i>
<i>Telecommunications Legislation Amendment (Competition and Consumer Issues) Bill 2005, Bills Digest no. 46 2005-06, 15 May 2006</i>	<i>Inquiry Report, Review of National Competition Policy Reforms, February 2005</i>
<i>Media Ownership Regulation in Australia, E-Brief, updated 30 May 2006</i>	<i>Inquiry Report, Broadcasting, March 2000</i>
<i>Skilled migration to Australia, E-Brief, 5 June 2006</i>	<i>Research Report, Economic Impacts of Migration and Population Growth, April 2006</i>
<i>Workplace relations reforms: a chronology of business, community and Government responses, Chronologies Online, updated 11 August 2006</i>	<i>Inquiry Report, Review of National Competition Policy Reforms, February 2005</i>

Other broad-based performance indicators

In addition to the performance indicators for 2005-06 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.

- COAG's support for the Commission is reflected by its decisions in 2005-06 that:
 - the Commission develop proposals for the efficient pricing of road and rail freight infrastructure;
 - the Commission assist COAG implement its in-principle decision to adopt a common framework for benchmarking, measuring and reporting on the regulatory burden on business; and
 - the new COAG Reform Council is to draw on the work of the Commission in assessing the potential benefits of the National Reform Agenda.
- The New Zealand Commerce Minister has recently stated:

As I have said on other occasions, if I could choose any Australian institution and have it transformed into a truly trans-Tasman institution, it would be the Productivity Commission. (Dalziel 2006)

The Minister also commended the Commission's 'dispassionate' regulatory analysis. The New Zealand Institute of Chartered Accountants (2006) subsequently backed the minister's suggestion that the Commission become a trans-Tasman institution.

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- In commenting on Australia's policy-making process, the Leader of the Opposition included the Productivity Commission amongst government agencies providing 'quality professional advice' (Beazley 2006b).
 - In association with the NSW Government submission to the Senate inquiry on petrol pricing, the NSW Ministers for Transport and for Small Business and Regional Development recommended a Commission inquiry on the impact of rising fuel prices on the economy, Australian families, businesses and government service providers (Watkins and Campbell 2006).
 - The Human Rights and Equal Opportunities Commission (2005) considered that the Productivity Commission 'would be best placed' to conduct research on the economic cost of disability to people with disability, employment support services and employers, with a view to making recommendations to increase the workforce participation and employment of people with disability.
 - The Business Council of Australia has requested that the Government refer a range of policy issues to the Productivity Commission. The BCA (2006a) budget submission recommended that the Government ask the Commission to undertake:
 - an analysis of the impacts of high effective marginal tax rates on the workforce participation of different groups, taking into account the economic and social implications of disincentives to work, and to make recommendations; and
 - a review of Commonwealth–State financial and tax-sharing arrangements and the appropriateness of the tax mix across jurisdictions, building on the Commission's report, *The Economic Implications of an Ageing Australia*.More recently, the BCA (2006d) proposed that the Commission be asked to:
 - report on the nature of an access regime for water pipes, technical standards and other rules, in advance of the establishment of an Australian water regulator; and
 - review urban water pricing.
 - In April 2006 Australian Business Limited and the Victorian Employers' Chamber of Commerce and Industry called on the Commonwealth Government to ask the Productivity Commission to:
 - review the current application of horizontal fiscal equalisation by the Commonwealth Grants Commission;
 - assess if the current application of horizontal fiscal equalisation hampers necessary structural reform and efficiency improvements within government; and
 - recommend simplification of the application of horizontal fiscal equalisation (ABL 2006 and VECCI 2006).

In a related press release, ABL (2006) stated:

The Productivity Commission is an impartial body that is respected by all sections of the Australian community and it should be charged with the responsibility of modernising the current arrangements.

- In testimony before the House of Representatives Standing Committee on Economics, Finance and Public Administration, some groups questioned the appropriateness of the Reserve Bank of Australia reviewing its own reforms. The Australian Bankers' Association (2006) stated:

The [banking] industry is advocating that the scheduled 2007 review of payment systems reforms is undertaken by an organisation independent of the reform process so far, such as the Productivity Commission.

- The Urban Development Institute of Australia (2006) has called for the Commonwealth Government to request that the Commission investigate inefficiencies associated with State planning approvals processes and for an inquiry on land supply policies, to quantify their impact on economic growth and housing affordability, and to identify major governance constraints on the supply of land.
- In testimony to the House of Representatives Standing Committee on Transport and Regional Services inquiry on transport networks in August 2005, the Australasian Railway Association (2005) stated that it was lobbying COAG for a Productivity Commission review of road and rail pricing. COAG requested such a study in its communiqué of February 2006.
- Submissions to the Joint Study of the Administration of Australia's Anti-Dumping System by Rio Tinto, steel importers (the Australian Steel Association) and Coles Myer variously suggested greater involvement of the Commission in the evaluation of material injury and causation analysis or national interest determination in anti-dumping investigations.
- A range of policy analysts and newspaper editorials during the past year variously called for Productivity Commission reviews of private health insurance regulation; subsidies for ethanol and bio-diesel; Australian petrol production and retailing; the extent of competition in markets for large infrastructure projects; and an evaluation of government advertising campaigns.
- Endorsement of the Commission's role and work can also be found in various proposals for new agencies to be modelled on it. For example:
 - The Tasman Transparency Group (2006) has promoted the Commission as the type of agency needed to underpin WTO trade negotiation processes by providing 'the information governments (and their domestic constituents) need to reduce the political costs of liberalising domestic markets, by making the consequences for the economy and community more transparent'.

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- Domestically, Indigenous leaders have reportedly argued the need for ‘the equivalent of the Productivity Commission’ to oversee the reform of Indigenous policies and programs.

In addition to the media coverage reported elsewhere in this appendix, the Commission and its reports are widely cited elsewhere. The Commission found evidence of around 250 citations of the Commission and its reports in 2005-06. About 18 per cent of mentions were to inquiries and commissioned studies current in 2005-06. The Commission’s work was cited in more than 100 different journals and publications, most frequently in *Business Review Weekly*, *Medical Observer Weekly*, *Australian Doctor*, the *Medical Journal of Australia* and the *Australian Journal of Public Administration*. Commission work which received the most citations were the commissioned study on Australia’s health workforce (both the Position Paper and final report); the 2005 study of the economic implications of the ageing of Australia’s population; the 2005 inquiry report on national competition policy reforms; and the 2003 and 2005 reports *Overcoming Indigenous Disadvantage*. There were also multiple mentions of the Reports on Government Services (over various years).

Output 1: 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. Inquiries 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.

The resources used in producing this output in 2005-06 were:

- 71.5 staff years; and
- \$14.1 million on an accrual basis.

All government-commissioned inquiries in 2005-06 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 2005-06

The Commission had six public inquiries and seven government-commissioned research studies underway at some time during the year, and has since commenced a study on the feasibility of developing cross-jurisdictional performance indicators and frameworks for regulatory burdens on business. The program of government-commissioned projects is summarised in table B.3, although the complexity of policy issues addressed and the consultation demands are difficult to capture.

During 2005-06 the Commission:

- completed two public inquiries begun in 2004-05 — the private cost effectiveness of improving energy efficiency and the conservation of Australia’s historic heritage places; and
- commenced four new public inquiries which are due for completion in 2006-07 — on waste management, road and rail infrastructure freight pricing, Tasmanian freight subsidy arrangements and the price regulation of airport services.

Table B.3 **Program of public inquiries and other government-commissioned projects^a**

	2004-05					2005-06												2006-07							
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
Public inquiries:																									
Private cost effectiveness of improving energy efficiency																									
Conservation of Australia's historic heritage places																									
Waste management																									
Road and rail freight infrastructure pricing																									
Tasmanian freight subsidy arrangements																									
Price regulation of airport services																									
Commissioned research studies:																									
Impacts of advances in medical technology in Australia																									
Australia's health workforce																									
Australian consumer product safety system																									
Economic impacts of migration and population growth																									
Rural water use and the environment																									
Standard setting and laboratory accreditation																									
Science and innovation																									
Benchmarking regulatory burdens																									

^a Shaded area indicates the approximate duration of the project in the period covered by the table.

Research studies commissioned by the Government remained a significant component of the Commission's workload (figure 2.1). During 2005-06 the Commission:

- finalised three government-commissioned research studies — the impacts of advances of medical technology, Australia's health workforce and a review of the Australian consumer product safety system — begun the previous year;
- commenced and completed in the year an examination of the impacts that migration and population growth have on Australia's productivity and economic growth; and
- commenced new three studies: rural water use and the environment; standard setting and laboratory accreditation; and science and innovation.

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 C.

Table B.4 Public inquiry and other commissioned project activity, 2001-02 to 2005-06

<i>Indicators</i>	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>	<i>2005-06</i>
Public inquiries					
Inquiry references received	6	5	3	4	4
Issues papers released	6	4	3	3 ^c	4
Public hearings (sitting days) ^a	24	31	66	26	26
Organisations/people visited	318	191	186	167	151
Submissions received	847 ^d	540	1 221	623 ^e	654
Draft reports ^b	8	1	5	5	2
Inquiry reports completed	9	3	6	4	2
Inquiries on hand (at 30 June)	3	5	2	2	4
Research studies					
References received	3	6	4	3	4
Submissions received	na	262	149	253	608
Draft reports ^b	1	4	1	4	4
Research reports completed	2	7	2	3	4
Studies on hand (at 30 June)	2	1	3	3	3
Total references					
Total references received	9	11	7	7	8
Total references completed	11	10	8	7	6
Total references on hand (at 30 June)	5	6	5	5	7

^a Excludes forums and roundtable discussions. ^b Includes all types of draft reports. ^c Includes two inquiries that issued 'Issues and questions' with their 1st inquiry circular. ^d Includes more than 200 multiple copies of two submissions from different participants in the inquiry on radiocommunications. ^e Includes 130 submissions accepted on a commercial-in-confidence basis in the smash repair and insurance inquiry.

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 six government-commissioned inquiries and research studies completed in 2005-06 are shown in table B.5.

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 2001-02 to 2005-06 are 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 costs of any consultancies (including those arising from the statutory requirements relating to the use of economic models), printing costs and the duration of the inquiry or project.

Table B.5 Cost of public inquiries and other commissioned projects completed in 2005-06^a

<i>Government-commissioned project</i>	<i>Total cost</i>
	\$'000
Private cost effectiveness of improving energy efficiency	1 984
Impacts of advances in medical technology in Australia	1 496
Australia's health workforce	1 817
Australian consumer product safety system	605
Conservation of Australia's historic heritage places	851
Economic impacts of migration and population growth	1 534

^a Includes estimated overheads.

Table B.6 Direct administrative expenditure on public inquiries and other government-commissioned projects^a, 2001-02 to 2005-06

<i>Expenditure item</i>	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>	<i>2005-06</i>
	\$	\$	\$	\$	\$
Travel	215 062	381 491	415 835	342 728	381 837
Printing	171 399	91 813	181 435	125 259	151 121
Consultants	106 621	348 974	62 416	31 520	102 695
Other ^b	164 354	245 230	289 234	193 929	310 687
Total	657 436	1 067 508	948 920	693 436	946 340

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

Consultative processes

The practice of consulting widely with government departments and agencies, professional and industry organisations, academics and the broader community during inquiries and government-commissioned research projects continued in 2005-06.

In the course of its inquiry work, the Commission held 26 public hearings, visited more than 150 people and organisations and received more than 650 submissions during the year. The heritage inquiry attracted more than 400 submissions in 2005-06. Public hearings were held in all capital cities. Trends in inquiry activities — which are heavily influenced by the nature of the policy issues referred to the Commission — are shown in table B.4.

The Commission adapts its consultative processes to suit the variety of research studies commissioned by the Government. Of particular note this past year is that the total number of submissions to research studies almost matched the number made to public inquiries: more than 340 submissions were made to the health workforce study in 2005-06.

The Commission's practice of extending its consultative processes beyond visits, public hearings, seeking submissions and providing draft reports, continued during the year. For example:

- In its study on the impacts of medical technology, the Commission convened a roundtable in July 2005 to discuss future technological advances and the implications of these for health technology assessment with some 15 organisations including health technology assessment agencies, clinicians, healthcare consumer bodies, industry and government agencies.
- Following release of its Discussion Paper on Australia's consumer product safety system in August 2005, the Commission held roundtable discussions in Sydney, Melbourne and Canberra to obtain feedback.
- In the course of its health workforce study, the Commission convened roundtables with allied health professionals and the professional colleges and, to obtain targeted feedback on its Position Paper, organised roundtables in Campbelltown (Western Sydney), Melbourne, Brisbane, Canberra and Alice Springs in October and November 2005.
- Following release of its Position Paper on the economic impacts of migration and population growth, the Commission convened two roundtable discussions in February 2006 encompassing Australian Government departments, the States and Territories, the Business Council of Australia, the Australian Council of Trade Unions and academics.

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- In May 2006 the Commission organised a regional forum in Emerald (Queensland) to discuss potential regional and remote impacts of infrastructure pricing reforms with more than 20 participants — including agricultural and mining infrastructure users, State and local government representatives and service providers — in advance of preparing its Discussion Draft. A second roundtable on key emerging issues in the inquiry was held in June, involving representatives of all governments, industry and a number of transport analysts.
 - A roundtable held in June 2006 of about 40 participants — covering farming organisations, irrigation authorities, government agencies, non-government environmental groups, a water trader and selected experts — exchanged views and provided comments on the Commission’s Discussion Draft on rural water use. The Commission also met with the interjurisdictional Water Trading Group and the National Water Commission to obtain feedback.

Internet technology has greatly increased the accessibility of the Commission’s reports and facilitated 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 38 300 external requests for the index pages to submissions and hearing transcripts for inquiries and commissioned studies current in the year to 30 June 2006.

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, noted above, also contributed to the Commission’s quality assurance processes.

The Commission’s processes enable it to tap external expertise to ensure delivery of quality and robust analysis. For example, the Commission:

- drew on specialist expertise in the case studies it undertook on medical technology impacts;

-
- hosted a workshop in August 2005 to discuss estimation approaches with a range of Australian Government departments, industry bodies and academics with expertise in migration and labour markets. In November 2005 the Commission asked three independent experts to review and report on its modelling, and that of the Centre of Policy Studies, and their comments were included in the final report on the economic impacts of migration and population growth; and
 - convened a roundtable meeting with injury experts in October 2005 to exchange ideas on the appropriate measurement of injury incidence and cost so as to inform its review of the Australian consumer product safety system.

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

Timeliness

The two inquiries and the four commissioned research studies finalised in 2005-06 were completed on or ahead of schedule, and interim reporting dates, where specified, were also met.

In its communiqué of 3 June 2005, COAG announced that it would seek to have the Commission complete its study on Australia's health workforce in December 2005 rather than by the reporting date of 28 February 2006. The Commission complied in order to facilitate COAG's consideration of the Commission's final report.

At the request of the Commission and with the agreement of the Parliamentary Secretary to the Treasurer, the reporting date for the study on rural water use and the environment was extended by two months to 11 August 2006. Receipt of the six-month reference in mid-December 2005 delayed opportunities for preliminary consultations with key participants until the New Year, submissions by government agencies and utilities were still in preparation, and Western Australia's agreement to join the National Water Initiative expanded the consultation necessary for the study. The extension permitted more careful consideration of the complex issues involved and allowed greater participation of stakeholders in the preparation and review of the Commission's Discussion Draft. The Commission met the August reporting date.

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.

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 agreement with all of the Commission's recommendations in the report on the private cost effectiveness of improving energy efficiency and that it would work with the States, through the Ministerial Council on Energy, to consider the Commission's findings and analysis.

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

- The influence of the Commission's 2005 inquiry report on national competition policy reforms is demonstrated by use of its analysis on the benefits of past national competition policy reforms by COAG, working parties that reported to COAG, and COAG's commitment in 2006 to future reforms in many of the areas nominated by the Commission (see chapter 1).
- In May 2006 the Ministerial Council on Energy announced its support for key recommendations in the Commission's 2004 report on the gas access regime.
- In July 2006 COAG announced substantial agreement with measures the Commission proposed to improve the efficiency and effectiveness of Australia's health workforce and to improve its distribution. In addition, COAG also agreed that the Commission be asked to undertake a further review of the health workforce by July 2011.
- The COAG communiqué of February 2006 noted the Commission's 2004 report on reforming building regulation and committed governments to achieving a nationally-consistent Building Code of Australia based on minimum regulation.
- The Memorandum of Understanding Between the Government of New Zealand and the Government of Australia on Coordination of Business Law signed in February 2006 referred to the Commission's 2004 report, *Australian and New Zealand Competition and Consumer Protection Regimes*, and the accompanying review prepared by officials noted progress in implementing the Commission's recommendations.

Governments do not always accept the Commission's advice or may reject it initially. For example, the Government did not support the Commission's preferred policy option of repealing Part X of the Trade Practices Act and subjecting the liner

shipping cargo industry to general competition law. The Government decided to retain Part X but to amend it, however, in a manner consistent with other options in the Commission's report.

Nevertheless, responses to and decisions on commissioned reports confirm the continuing usefulness of the Commission's work to the Government, Parliament and the broader community. An assessment of the Commission's inquiry outputs since its inception in 1998 shows that governments typically adopt a substantial majority of Commission recommendations and generally endorse its findings (table B.7 updated since last year's annual report). Further, the nature and extent of references to Commission inquiry reports suggest that those reports have materially contributed to policy debate in Federal, State and Territory parliaments, as well as more generally within the media and the wider community.

Wider evidence of the contribution of the Commission's inquiry reports and research studies to public policy is found in the following indicators:

- The Prime Minister and Minister for Employment and Workplace Relations referred to the Commission's report on the economic implications of an ageing population in their analysis of workforce participation and skill issues and the limited potential contribution of population policies (Howard 2006; Andrews 2005). The report has also informed policy development by the Opposition and was acknowledged as having made 'a significant contribution to the debate on the inter-relationship between health care spending, health reform and the ageing of Australia's population' (Gillard 2006; McLucas 2006).
- The Treasurer recently drew on analysis in the Commission's 2004 inquiry report on first home ownership (Costello 2006b).
- Commonwealth ministers drew on analysis in the Commission's report on the private cost effectiveness of improving energy efficiency to criticise the decision of the Australian Building Codes Board to adopt 'five-star' energy efficiency measures for residential buildings (Macdonald et al. 2005). Further, the Shadow Minister was also critical of the assumptions and evidence underpinning the ABCB decision and strongly endorsed the Commission's recommendation for an independent evaluation of the effectiveness of energy standards in reducing actual (not simulated) energy consumption and whether the financial benefits to individuals outweigh the associated costs (Ferguson 2006).
- The Parliamentary Secretary to the Treasurer stated that he was working with State and Territory ministers to enhance Australia's consumer product safety system and that 'our efforts will benefit considerably from the excellent work undertaken by the Productivity Commission' (Pearce 2006).

Table B.7 Impact of Commission inquiry reports on policy making^a

<i>Inquiry report</i>	<i>Government response to Commission findings and/or recommendations</i>
1 Australian Black Coal Industry (July 1998)	The Australian Government supported all of the Commission's recommendations and intended to work with the New South Wales and Queensland Governments to ensure their implementation.
2 International Air Services (September 1998)	The Government agreed to implement substantial liberalisation of the regulatory framework, though not to offer unrestricted access to Australia's major airports nor to remove cabotage restrictions.
3 Pig and Pigeat Industries: Safeguard Action Against Imports (November 1999)	The Government concurred with the Commission's findings on safeguard action; eschewing tariff and quota restrictions and opting for adjustment assistance for the industry.
4 Nursing Home Subsidies (January 1999)	The Government accepted a range of Commission recommendations but rejected others. The report continues to be a key reference in Parliament, State and community debate on aged care.
5 Implementation of Ecologically Sustainable Development by Commonwealth Departments and Agencies (May 1999)	The formal government response to the report and a postscript on implementation indicate substantial support for the Commission's proposals for integrating ESD principles in decision making and agency reporting and for improvements in data collection.
6 Progress in Rail Reform (August 1999)	The Australian Government broadly endorsed a number of the Commission's recommendations relating to areas of its responsibility. In other areas, it deferred consideration of Commission recommendations, contingent on progress with reform within existing institutional arrangements.
7 International Telecommunications Market Regulation (August 1999)	The Government endorsed nearly all of the Commission's principal findings.
8 Impact of Competition Policy Reforms on Rural and Regional Australia (September 1999)	The Government cited the evidence of the benefits of national competition policy to rural and regional Australia and endorsed the thrust of the Commission's recommendations. The Commission's findings on the impacts of competition reforms and the wider economic and social drivers of change were used in parliamentary debates, in national competition policy processes and wider community debate on competition policy.
9 International Liner Cargo Shipping (September 1999)	The Government accepted all of the Commission's key recommendations.

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|----|---|--|
| 10 | Australia's Gambling Industries (November 1999) | The report was welcomed by the Prime Minister as the first comprehensive investigation of the social and economic impacts of gambling in Australia; it is being used extensively in policy debates in the States and Territories, with a number of its proposals being adopted; and it is the prime reference source on problem gambling for community groups and the media. Five years on, it continues to be the most accessed inquiry report on the Commission's website. |
| 11 | Broadcasting (March 2000) | The Government has not formally responded to the report. Nevertheless, the report is still referred to in parliamentary and wider community debate on foreign ownership, the cross-media rules, the regulation of digital TV and datacasting and indigenous broadcasting; and policy analysts and the media continue to cite it regularly. <i>The Government made some references to the report when introducing its Broadcasting Services Amendment (Media Ownership) Bill 2006.</i> |
| 12 | Review of Australia's General Tariff Arrangements (July 2000) | In December 2000 the Government rejected the Commission's recommendations to remove the 3 per cent duty on business inputs under the Tariff Concession System and the 5 per cent general tariff rate, but agreed to overhaul the by-law system. In its 2005-06 Budget, the Government announced removal of the 3 per cent tariff applying to business inputs imported under a tariff concession order, effective from 11 May 2005. |
| 13 | Review of Legislation Regulating the Architectural Profession (August 2000) | Responsibility for regulating architects lies with the States and Territories. The Working Group developing a national response to the report rejected the Commission's preferred option to repeal Architects Acts and remove statutory certification. However, it supported a range of Commission proposals to remove anti-competitive elements in legislation regulating the architectural profession. |
| 14 | Review of the Prices Surveillance Act (August 2001) | While agreeing to repeal the Prices Surveillance Act, the Government decided to retain more extensive price controls and processes in the Trade Practices Act than recommended by the Commission. |
| 15 | Cost Recovery by Government Agencies (August 2001) | The Government's interim response indicated substantial agreement with the Commission's recommendations. Recommendations on the design of cost recovery arrangements and improvements to agency efficiency would be examined in detail with affected agencies and addressed in preparing the Government's final response. |
| 16 | Telecommunications Competition Regulation (September 2001) | The Government moved to speed up dispute resolution processes consistent with the Commission's draft report proposals. In its legislative response to the final report, the Government endorsed the thrust of the Commission's recommendations by retaining the telecommunications-specific parts of the competition regime, providing greater upfront certainty for investors and implementing a number of other recommendations. It did not maintain the recommended merit appeal processes. |

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Table B.7 (continued)

<i>Inquiry report</i>	<i>Government response to Commission findings and/or recommendations</i>
17 Review of the National Access Regime (September 2001)	The Government endorsed the majority of the Commission's recommendations on the national access regime, in particular the provision of clearer directions to regulators and greater certainty for investors.
18 Review of Certain Superannuation Legislation (December 2001)	The Government agreed that legislative changes were needed to reduce compliance costs, would implement a number of Commission recommendations and further examine others, but did not accept proposed reforms to institutional arrangements for handling complaints. In a subsequent response to a report by the Superannuation Working Group, the Government effectively supported the Commission's recommendations to license superannuation trustees and for trustees to submit a risk management statement.
19 Price Regulation of Airport Services (January 2002)	The Government supported all of the major elements of the Commission's preferred approach for a light-handed regulatory regime, involving a 'probationary' period of price monitoring.
20 Citrus Growing and Processing (April 2002)	The Government stated that the Commission's report had enabled the concerns of the Australian citrus industry about its competitive situation and outlook to be carefully examined. It subsequently endorsed all of the Commission's recommendations covering trade negotiations, market access arrangements, export control arrangements and review, and industry compliance costs.
21 Independent Review of the Job Network (June 2002)	The Government stated the report was a significant and authoritative examination of the Job Network and agreed with a number of Commission recommendations. It had already changed the design of some Job Network features on the basis of the Commission's draft report. However, the Government did not support some key Commission recommendations at present, but would give consideration to them as employment services policy evolves.
22 Radiocommunications (July 2002)	The Government accepted most of the Commission's recommendations but would further consider whether spectrum licences should be issued in perpetuity and some other matters. Six recommendations were rejected, the most significant of which dealt with changes to competition rules and ministerial discretion on limits to spectrum acquisition in auctions.
23 Review of Section 2D of the <i>Trade Practices Act 1974</i> : Local Government Exemptions (August 2002)	The Government accepted the Commission's recommendation that section 2D be repealed and replaced with a section stating explicitly that Part IV of the Trade Practices Act only applies to the business activities of local government.

24	Economic Regulation of Harbour Towing and Related Services (August 2002)	The Government accepted all the Commission's recommendations, with minor modifications relating to the implementation of price monitoring.
25	Review of Automotive Assistance (September 2002)	The Government endorsed the Commission's findings on post-2005 tariff reductions and transitional adjustment assistance for the industry (though with an additional \$1.4 billion, over 10 years, than preferred by the Commission), agreed with many of the Commission's findings on other assistance and industry matters, and announced a further inquiry by the Commission in 2008.
26	Review of TCF Assistance (July 2003)	The Government accepted the Commission's preferred tariff option and quantum of transitional assistance, though with some variations in the components of that support package.
27	National Workers' Compensation and Occupational Health and Safety Frameworks (March 2004)	The Government did not support key elements of the Commission's proposed national framework model and deferred consideration of recommendations relating to design elements for workers' compensation schemes and OHS pending advice from a new tripartite body, the Australian Safety and Compensation Council.
28	First Home Ownership (March 2004)	The Government supported recommendations relating to areas of State responsibility but not those relating to reviews of the personal income taxation regime and the housing needs of low income households nor changes to the First Home Owner Scheme.
29	Impacts of Native Vegetation and Biodiversity Regulations (April 2004)	The Government announced that it supported the Commission's recommendations and would pursue implementation by the States and Territories through the COAG process.
30	Review of the Disability Discrimination Act 1992 (April 2004)	The Government accepted a majority of the Commission's 32 recommendations in full, in principle or in part. Many of the Commission's most significant recommendations were adopted including legislative change to clarify the reasonable adjustment duty implied in the Act but, importantly, also to strengthen and/or extend existing safeguard mechanisms.
31	Review of the Gas Access Regime (June 2004)	<i>The Ministerial Council on Energy supported the Commission's key recommendations.</i>
32	Review of Part X of the <i>Trade Practices Act 1974</i> : International Liner Cargo Shipping (February 2005)	<i>The Government did not support the Commission's preferred policy option of repealing Part X of the Trade Practices Act and subjecting the liner shipping cargo industry to general competition law. The Government decided to retain Part X but to amend it, however, in a manner consistent with other options in the Commission's report.</i>

(continued next page)

Table B.7 (continued)

	<i>Inquiry report</i>	<i>Government response to Commission findings and/or recommendations</i>
33	Review of National Competition Policy Reforms (February 2005)	The Government stated that the response to the Commission's recommendations would be the outcome of COAG's review of national competition policy. <i>COAG drew on the Commission's analysis of the benefits of past national competition policy reforms and important elements of COAG's new National Reform Agenda reflect the Commission's recommendations and approach.</i>
34	Smash Repair and Insurance (March 2005)	The Government agreed with the Commission's key recommendations on the development and nature of a voluntary code of conduct for the smash repair and insurance industries. <i>A Motor Vehicle Insurance and Repair Industry Code of Conduct commenced on 1 September 2006.</i>
35	Australian Pigmeat Industry (March 2005)	The Government in effect endorsed the bulk of the Commission's findings and, importantly, did not commit to additional industry-specific assistance measures.
36	<i>The Private Cost Effectiveness of Improving Energy Efficiency (August 2005)</i>	<i>The Government has announced agreement with all of the Commission's recommendations and that it would work with the States, through the Ministerial Council on Energy, to consider the Commission's findings and analysis.</i>

^a Additions or significant changes to the table published in the 2004-05 Annual Report are indicated in italics.

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- The Commission's study on the economic impacts of migration, and specifically the link between English language proficiency and labour market participation, were cited in the Government's recent discussion paper on an Australian citizenship test (September 2006).
 - Reference during parliamentary proceedings to Commission inquiry reports and government-commissioned research studies completed in this and previous years is an indicator of their continuing usefulness to parliamentarians. For example:
 - Inquiries or commissioned research studies current in the year were referred to on 22 separate occasions by Members and Senators in the Federal Parliament in 2005-06, half of which were to the Commission's health workforce study. Reports from previous years were also referred to on 79 occasions (principally the reviews of the national access regime, national frameworks for workers' compensation and OHS, and the ageing report).
 - State and Territory members of parliament referred to Commission inquiries and commissioned research studies on 77 occasions in 2005-06. The health workforce study accounted for nearly 40 per cent of all mentions and the Commission's 1999 report on gambling for a further 20 per cent of mentions.
 - Other examples of the use of Commission inquiry and commissioned research studies include:
 - use of the Commission's ageing, medical technology and health workforce studies by the COAG National Reform Initiative Working Group (2005);
 - numerous references to the Commission's reports on ageing and national competition policy reform in the 2006 OECD Economic Survey of Australia, as well as use of the health workforce study and the Commission's 2001 study on international pharmaceutical price differences;
 - use of the Commission's analysis of the economic implications of an ageing population and the impacts of advances in medical technology by the NSW Government (2006) and the OECD (2006b); and reference to findings in the ageing report by the Australian Securities and Investments Commission (2005), the Federal Sex Discrimination Commissioner (Goward 2005) and the Queensland Health Systems Review (Forster 2005);
 - the statement by the Leader of the Opposition that the Labor Party would be 'paying particular attention to the Productivity Commission's Research Report on Australia's Health Workforce' in developing policies for realigning health workforce roles and creating new roles for nurses and other health professionals (Beazley 2006a);
 - extensive citation of Commission findings on the private cost effectiveness of improving energy efficiency in the report of the Victorian Parliament's

Environment and Natural Resources Committee (2006) on the energy services industry and in submissions and testimony to the Senate Economics Legislation Committee inquiry on the Energy Efficiency Opportunities Bill 2005; and

- use of the Commission’s report on national competition policy reforms by industry groups such as the BCA (2005b) and the ACCI (2005).

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 40 invitations the Commission accepted in 2005-06 to present papers on inquiries and commissioned studies to business, community and other groups, and in particular, on the Commission’s ageing and health workforce studies (table E.1).

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 2006 there were more than 152 000 external requests for the index pages of inquiries and government-commissioned research studies current in 2005-06. The projects of most interest were the study on Australia’s health workforce (38 700 requests) and the inquiries on heritage (24 800 requests) and waste management (12 700 requests). Even after an inquiry or project is completed, community interest can remain high. For example, during the year, web pages for the Commission’s study of the economic implications of ageing Australia were requested nearly 18 700 times and those for the Commission’s 1999 inquiry on Australia’s gambling industries were requested more than 17 800 times.
- Inquiry and commissioned research reports receive extensive media coverage — in 2005-06 there were 38 editorials in major newspapers on Commission inquiries and commissioned research studies. These included 11 mentions of the Commission’s inquiry report on national competition policy reforms and eight mentions of the health workforce study. Other reports cited in editorials were those on the economic impacts of migration, waste management, first home ownership, gambling, ageing, medical technology and the national access regime.
- The Commission’s reports on the health workforce, waste management and economic impacts of migration were amongst the most widely reported during 2005-06, receiving a total of more than 1500 mentions in print and electronic media.

Output 2: Performance reporting and other services to government bodies

At the request of the Government, the Commission undertakes three 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 reporting on the equity of access, and the efficiency and effectiveness of government services; and reporting on key indicators of indigenous disadvantage;
- continues performance monitoring and related research on government trading enterprises (GTEs), work the Commission previously undertook for the former COAG Steering Committee on National Performance Monitoring of Government Trading Enterprises; and
- undertakes national and international benchmarking of the performance of key Australian industries — primarily economic infrastructure and government services — to help identify and provide information on significant gaps in performance.

The Commission has also been called upon to provide secretariat and research services to other government bodies, such as the Heads of Treasuries of the Australian Government, States and Territories.

The Commission is committed to producing reports of a high standard which are useful to government and the wider community, and completed on time.

The resources used in producing this output in 2005-06 were:

- 25.1 staff years; and
- \$4.0 million on an accrual basis.

Activities in 2005-06

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

- *Overcoming Indigenous Disadvantage: Key Indicators 2005 Overview* (July 2005);
- *Financial Performance of Government Trading Enterprises, 1999-00 to 2003-04* (July 2005);

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- *Review of Patient Satisfaction and Experience Surveys Conducted for Public Hospitals in Australia* (August 2005);
 - *Feedback on the Report on Government Services 2004*, Secretariat Paper (August 2005);
 - *Report on Government Services 2006*, 2 volumes (and on CD with supporting tables, January 2006); and
 - *Report on Government Services 2006: Indigenous Compendium* (May 2006).

Review of Government Service Provision

The Review of Government Service Provision was established by the Prime Minister, Premiers and Chief Ministers in July 1993. The Review's terms of reference specify that it collect and publish data that will enable ongoing comparisons of the efficiency and effectiveness of government services, and analyse reforms in government services.

As part of its Reconciliation Agenda, in 2002 COAG requested that the Review produce a regular report against key indicators of Indigenous disadvantage. The terms of reference for the report state:

The key task will be to identify indicators that are of relevance to all governments and Indigenous stakeholders and that can demonstrate the impact of programme and policy interventions.

Report on Government Services

The eleventh Report on Government Services was released in January 2006. Reporting is an iterative process and, since the Review published its first Report in 1995, there has been a general improvement in both the scope of reporting and the quality and comprehensiveness of data presented. The Report now emphasises reporting of outcomes, consistent with demand by governments for outcome-oriented performance information, and includes a focus on the equity of government service provision.

Working Groups for all service areas have strategic plans to refine performance measures and to improve the quality of descriptive data and contextual information published in the report.

Report content improved between the 2005 and 2006 reports, with over 47 per cent of indicators fully comparable in 2006 (compared to 44 per cent in 2005). The proportion of indicators with no reporting against them declined from 27 per cent to 21 per cent, while the proportion of indicators reported on, but not fully comparable,

increased from 29 per cent to 32 per cent, largely due to the number of new indicators reported for the first time (figure B.2).

Particular improvements in the 2006 Report included:

- new indicators of quality in the ‘Public hospitals’ chapter — ‘pre-anaesthetic consultation rates’, ‘patient satisfaction’ and ‘sentinel events’;
- additional nationally comparable learning outcomes data in the ‘School education’ chapter;
- new data on the Pharmaceutical Benefits Scheme (PBS), including the ‘availability of PBS medicines’, in the ‘Primary and community health’ chapter;
- indicators of preschool service costs, and hospital admissions resulting from injuries sustained in children’s services in the ‘Children’s services’ chapter;
- indicators of customer satisfaction with State owned and managed Indigenous housing in the ‘Housing’ chapter; and
- an outcome indicator ‘goals achieved on exit from service’ for the Supported Accommodation Assistance Program in the ‘Protection and support’ chapter.

Figure B.2 **Comparability of indicators**

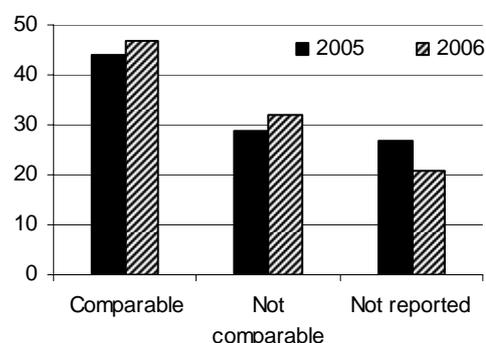


Table B.8 provides an overview of indicators reported on a directly comparable basis across jurisdictions in each service area for the 2006 Report.

The Review continues efforts to improve reporting on service provision to Indigenous Australians in the Report on Government Services. Improvements were made to Indigenous data in the ‘VET’, ‘Primary and community health’, ‘Aged care’ and ‘Housing’ chapters for the 2006 Report. The Indigenous Compendium to the report, released in May 2006, provides an easily accessible collation of all Indigenous data from the Report, and complements the information in the separate *Overcoming Indigenous Disadvantage: Key Indicators* reports.

Table B.8 Indicators reported on a comparable basis, 2006 Report

<i>Service area/indicator framework</i>	<i>Indicators with data reported</i>	<i>Indicators reported on a comparable basis</i>	<i>Proportion comparable</i>	<i>Change since last year in number reported on a comparable basis</i>
	no.	no.	%	no.
<i>Education</i>				
School education	12	9	75	–
VET	12	10	83	4
<i>Justice</i>				
Police services	26	13	50	–
Court administration	6	3	50	–
Corrective services	12	10	83	–
Emergency management	15	2	13	–
<i>Health</i>				
Public hospitals ^a	14	5	36	–
Maternity services	10	3	30	–
Primary and community health	22	22	100	2
Breast cancer	11	7	64	–
Mental health	8	4	50	–
<i>Community services</i>				
Aged care services	13	12	92	–
Services for people with a disability	14	8	57	–
Children's services	16	7	44	3
Child protection and out-of-home care	14	4	29	–
SAAP	12	6	50	1
<i>Housing</i>				
Public housing	12	12	100	–
Community housing	10	–	–	–
State owned and managed Indigenous housing	11	11	100	2
Commonwealth Rent Assistance ^b	8	9	89	-3

SAAP = Supported Accommodation Assistance Program. ^a Data previously reported as three indicators have been moved to the descriptive section of the chapter. ^b The performance indicator framework was revised and the total number of indicators reduced (rather than a decrease in comparability). – Nil or rounded to zero.

Overcoming Indigenous Disadvantage: Key Indicators

COAG commissioned the Review to produce this report on a regular basis, ‘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).

The *Overcoming Indigenous Disadvantage* report, first published in November 2003, is built on a strategic framework for action in areas of Indigenous disadvantage which has been endorsed by the Australian, State and Territory governments. Following a broad round of consultations, the second edition of the

Overcoming Indigenous Disadvantage: Key Indicators report was published in July 2005.

Both reports confirmed the existence of significant Indigenous disadvantage across an array of areas. A large gap between Indigenous people and the rest of the population is apparent in all of the headline indicators and most of the lower level strategic change indicators. The 2005 report found some areas of improvement since the 2003 report, but also several areas of deterioration. Data limitations meant that no conclusions could be drawn in many areas, although this situation should improve in future reports.

Following the release of the 2005 report, consultations were held with Indigenous people and governments across the country to ensure the ongoing usefulness of reporting. Feedback from these consultations will assist in the production of the next *Overcoming Indigenous Disadvantage: Key Indicators* report, due for release in mid-2007.

The estimated cost to the Commission of assisting governments in the production of the Report on Government Services, the *Overcoming Indigenous Disadvantage* report and related Review activities in 2005-06 was around \$3.2 million (compared to \$2.9 million in 2004-05).

Performance monitoring of government trading enterprises (GTEs)

The Commission released its study on the Financial Performance of GTEs for the period 1999-00 to 2003-04 in July 2005.

The subsequent report on a range of financial indicators for 86 enterprises, covering the period 2000-01 to 2004-05, was substantially completed in 2005-06 and published in July 2006. The first outputs of a new three-year research program on the capital management of GTEs were also included in this report.

International benchmarking

The Commission did not publish any benchmarking research in 2005-06.

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 most appropriate methodologies — thereby increasing confidence in the quality of the performance reporting.

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 Chairman of the Productivity Commission, and serviced by a secretariat drawn from the staff of the Commission. The Committee, in turn, is supported by 13 national working groups comprising representatives from 80 government agencies — totalling around 220 people who provide specialist knowledge on each service area — and draws on the expertise of other bodies such as the ABS and the Australian Institute of Health and Welfare, and committees established under Ministerial Councils.

The Review has an ongoing program of consultation on the *Overcoming Indigenous Disadvantage report*, meeting with Indigenous organisations and communities, and governments during preparation of the 2003 and 2005 reports, and the forthcoming 2007 report. The Review also engaged an expert Indigenous consultant to review drafts of the 2005 report before publication, and is pursuing a similar strategy for the 2007 report.

The Commission's quality assurance processes for its reporting on the financial performance of GTEs includes giving State and Territory Treasuries the opportunity to review drafts before publication. The Commission also distributed draft chapters of its 2006 report on capital structures and equity withdrawals to State and Territory Treasuries for comment.

Timeliness

The 2005 Report on Government Services and its Indigenous Compendium, and the 2005 GTE financial performance monitoring report, were completed on time. The 2005 Overcoming Indigenous Disadvantage report was completed six weeks after its initial planned completion date to allow the inclusion of key data that were supplied by data providers later than expected.

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.

Review of Government Service Provision

The Report on Government Services is intended to provide information on the equity, effectiveness and efficiency of government services and it is used extensively in this regard.

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- The generally positive feedback on the usefulness, credibility, relevance and timeliness of the Report from the May 2004 survey of users and contributors was reported in the Commission's 2003-04 Annual Report. A further survey of users is planned for early 2007.
 - Feedback from Steering Committee members — senior representatives from Australian governments — and from departmental secretaries and chief executives indicates that the reports on government services continue to be important inputs to budgetary negotiations, benchmarking and policy reviews.
 - A variety of performance information sourced to the 2006 (and earlier) government services reports was used in parliamentary proceedings by government and opposition members in parliaments during 2005-06.
 - In the Federal Parliament, data from the reports were used in relation to vocational education and training, Indigenous affairs, health, aged care, police and court administration.
 - In other parliaments, data from the reports were mentioned 70 times and were used in relation to housing, public health, police staffing numbers, emergency management, disability services expenditure, mental health services, reading and writing numeracy, education, primary health care, aged care, police, corrective services and protection and support.
 - The NSW Auditor-General's (2006a) report on prisoner rehabilitation in NSW incorporated comparative data on re-offending rates for prisoners across jurisdictions and addressed possible reasons for the State having the highest rate of offenders returning to prison. The Auditor-General (2006b) also assessed the extent to which NSW agencies used performance based information to manage services and referred to data supplied for the Report on Government Services.
 - The ACT Auditor-General's (2005) report on courts administration in the Territory noted that the Report on Government Services provided 'authoritative' comparative performance data on courts across Australia and made extensive use of it.
 - The independent review of Queensland Health's systems commissioned by the Queensland Premier cited data from the 2005 Report on Government Services including comparative data on mental health services expenditure, Indigenous health expenditure, public hospital staffing ratios and salary levels (Forster 2005).
 - Data and commentary from the 2006 Report relating to vocational education and training were used by a peak industry body in reporting on the skill challenges facing Australia (AiG 2006).

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- A number of journal articles and government publications across a wide range of disciplines used the Report on Government Services as a source. The report was cited in articles in the *Australian Journal of Public Administration*, *Journal of Judicial Administration*, *Just Policy*, *Australian Economic Review*, *Children Australia*, *Current Issues in Criminal Justice* and *Public Administration Today*.

Other indicators of usefulness from 2005-06 were:

- extensive media coverage of the 2006 Report on Government Services. There were more than 200 press articles drawing on the report and more than 360 mentions of it in electronic media in the period to 30 June 2006. More than 1650 bound copies of the report were distributed by the Commission; and
- more than 13 400 external requests for the index page of the 2006 Report on Government Services on the Commission's website in 2005-06. The 2005 Report on Government Services continued to be accessed from the website by external parties — with over 12 700 requests during 2005-06. There were more than 53 000 external requests for the index pages of Review publications (excluding the *Overcoming Indigenous Disadvantage* report) in 2005-06.

Overcoming Indigenous Disadvantage: Key Indicators

The key 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. Evidence of the report's ongoing usefulness is demonstrated by the following feedback:

- The Minister for Immigration, Multicultural and Indigenous Affairs welcomed the 2005 report in the following terms:

this report provides a general snapshot of where we are and how far we have to go. The data in the report identify both problem areas and where we are seeing improvements being made ... All up, the report presents a challenging message for all of us – governments, Indigenous communities and leaders, and all Australians. (Vanstone 2005)

- In testimony before the Senate Select Committee on the Administration of Indigenous Affairs, the Aboriginal and Torres Strait Islander Social Justice Commissioner, Human Rights and Equal Opportunity Commission, stated that 'the reports of the Productivity Commission are critically important to establish benchmarks for us to be able to measure the impacts' of programs targeting Indigenous disadvantage (Calma 2005, p. 6).
- The Australian, State and Territory governments are incorporating the indicator framework into their own policies, programs and monitoring. Some States and Territories are using the indicator framework to prepare jurisdictional reports on

Indigenous outcomes for regular publication. (The 2005 report included an appendix summarising how each jurisdiction was using the framework.)

- The report is stimulating improvements in data collection, consistency and quality. Data gaps identified by the Steering Committee are being targeted for action in national information development plans.
- In July 2006 COAG established a working group to develop a detailed proposal for generational change in Indigenous communities, building clearer links between the Overcoming Indigenous Disadvantage framework, the National Framework of Principles for Delivering Services to Indigenous Australians, the COAG Reconciliation Framework and the bilateral agreements between governments. The NT Chief Minister stated that short and medium term targets 'should be tied to Productivity Commission indicators so we can measure our progress' (Martin 2006).
- More than 3500 bound copies of the 2005 report and 5700 overviews have been distributed by the Commission.
- Feedback from broad consultations with both governments and Indigenous people and organisations since the release of the 2005 Report has been strongly supportive.

More specific evidence of the usefulness of the Overcoming Indigenous Disadvantage reports during 2005-06 includes:

- 15 mentions of the report in the Federal Parliament;
- citations in articles in such journals as the *Journal of Indigenous Policy*, *Indigenous Law Bulletin*, *Drug and Alcohol Review*, *Public Administration Today*, *Issue Analysis*, *Trends and Issues in Crime and Criminal Justice*, *Aboriginal and Torres Strait Islander Health Bulletin* and the *Australian Journal of Social Issues*;
- more than 17 600 external requests to the Commission's website for the 2005 Report and its standalone Overview; and
- extensive media coverage, with 50 printed newspaper articles and 64 electronic media articles in 2005-06.

Performance monitoring of government trading enterprises

Evidence of the usefulness of the Commission's reporting on government trading enterprises is available from a number of sources.

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- State and Territory governments agreed to ongoing involvement in performance monitoring for another three years, furnishing financial data as well as checking factual data and commentary.

- In commenting on the 2006 GTE report, the Treasurer stated:

The research paper provides an independent and comprehensive analysis of the financial performance of various GTEs, most of which are owned by State and Territory Governments (Costello 2006a).

In particular, the Treasurer noted the data on GTE rates of return and their implication for continued reforms to improve GTE performance. He went on to observe that the Commission's findings:

also underscore the need for continued improvement in key infrastructure areas and reaffirm the importance of the COAG commitment to a new National Reform Agenda, particularly in relation to improving productivity, competition and the efficient functioning of markets.

- The Parliamentary Secretary to the Prime Minister has used data on water utilities from the 2006 GTE report (Turnbull 2006).
- The Australian Government presentation on governance reforms to the OECD Working Group on Privatisation and Corporate Governance of State Owned Assets in January 2006 discussed the Commission's findings and circulated the chapter from the 2005 GTE report, 'External Governance of GTEs'.
- The NSW Auditor-General (2005) cited the Commission's work on the external governance of GTEs in its 2005 report as an authoritative source in a performance audit report on the oversight of state owned electricity corporations.
- A number policy analysts and commentators have written substantive articles in the Australian Financial Review supporting the findings of the Commission's work on external governance.
- A report for Commerce Queensland on the role of government drew on the GTE financial performance monitoring results and supported the Commission's findings on the need for greater transparency in the external governance role of ministers and for public scrutiny of the rationale for public ownership of enterprises (Moore 2005).

The reports on the financial performance of GTEs attracted media attention through the year, were mentioned in three editorials in major metropolitan newspapers and in 2005-06 there were more than 10 300 external requests for the website pages of the 2005 and earlier reports.

Output 3: Regulation review activities

Regulation review matters are dealt with principally by the Office of Regulation Review (ORR), which is a separate unit within the Productivity Commission. The activities of the ORR in the past year are covered in detail in the Commission's publication, *Regulation and its Review 2005-06*.

The objective of the Commission's regulation review activities is to promote regulation-making processes that, from an economy-wide perspective, improve the effectiveness and efficiency of regulatory proposals. The ORR provides advice to the Australian Government and assists approximately 100 Australian Government departments and agencies, Ministerial Councils and national standard-setting bodies develop regulatory proposals including, where appropriate, the preparation of Regulation Impact Statements (RISs). The ORR aims to assess RISs and undertake associated activities to a high standard and provide objective and insightful advice that is timely and useful to government.

The resources used in producing this output in 2005-06 were:

- 17.9 staff years; and
- \$2.8 million on an accrual basis.

On 15 August 2006 the Treasurer announced a number of decisions in response to recommendations made in the Report of the *Taskforce on Reducing Regulatory Burdens on Business* (Costello 2006c). As part of the Australian Government's new regulatory reform agenda, the Office of Regulation Review will have its role and responsibilities enhanced and become the Office of Best Practice Regulation.

The Office of Best Practice Regulation will have a central role in facilitating the Government's strengthened RIS processes which will include, where appropriate, a requirement for enhanced cost-benefit and risk analysis. The Office of Best Practice Regulation will provide departments and agencies with assistance, advice and training regarding the new arrangements, including the application of cost-benefit and risk analysis of regulatory proposals. Responsibility for the Government's Business Cost Calculator, which is used to estimate regulatory compliance burdens on business, is to be transferred from the Department of Industry, Tourism and Resources to the Office of Best Practice Regulation. The new arrangements are to be introduced from October 2006.

Activities in 2005-06

The activities that the ORR is required by the Government to undertake are set down in its charter (box B.3).

In 2005-06 the Australian Government introduced 149 Bills and 2497 disallowable instruments into Parliament. In the same period, the ORR received 948 new RIS queries (compared to 851 queries in 2004-05). Of these, the ORR advised that RISs were required in 128 cases.

As shown in table B.9, the number of RIS queries received has been rising since 2003-04, but there has been a steady decline in the number of proposals requiring a RIS and, as a proportion, from 20 per cent of queries in 2003-04 to 16 per cent in 2004-05 to 14 per cent in 2005-06.

While there has been a downward trend in the number of RISs required for proposals finalised each financial year, it was not followed this year. Ninety-six RISs were required at the decision-making stage for proposals that were finalised in 2005-06. (Proposals are finalised when introduced into Parliament or made into law. RISs for these proposals may have been assessed in the 2005-06 or in previous reporting periods.) In 79 cases, RISs were prepared and commented on/assessed by the ORR.

Box B.3 Charter of the Office of Regulation Review

In 1997 the Government directed the ORR to issue a charter outlining its role and functions. The ORR's seven principal activities are to:

- advise on quality control mechanisms for regulation making and review;
- examine and advise on regulation impact statements (RISs) prepared by Australian Government departments and agencies;
- provide training and guidance to officials;
- report annually on compliance with the Australian Government's RIS requirements;
- advise Ministerial Councils and national standard-setting bodies on regulation making;
- lodge submissions and publish reports on regulatory issues; and
- monitor regulatory reform developments in the States and Territories, and in other countries.

Whilst these are ranked in order of the Government's priorities, the ORR must concentrate its resources where they will have most effect. The ORR, together with the Department of the Treasury, advises the Parliamentary Secretary to the Treasurer who is the Minister responsible for regulatory best practice.

In 2005-06 the ORR provided formal training on RISs and regulatory best practice to 367 officials from a wide range of departments and agencies. This compares with 415 officials trained in 2004-05. RIS training was provided to 289 Australian Government officials, 56 officials assisting Ministerial Councils and national standard-setting bodies, and 22 others (including foreign government officials).

In advising Ministerial Councils and national standard-setting bodies on regulatory best practice, the ORR reported on 34 RISs which were to be considered by these decision-making bodies in the twelve months ending 31 March 2006 (compared to 24 RISs in the twelve months ending 31 March 2005). The ORR reported on regulation making by Ministerial Councils and national standard-setting bodies to the National Competition Council and to the Committee on Regulatory Reform (a senior officials group reporting to COAG).

In monitoring and contributing to regulatory reform developments more broadly throughout Australia and internationally during 2005-06, the Head of the ORR:

- delivered a presentation on regulatory impact analysis to graduate students in the Masters course on Contemporary Theories for Industry Policy at the Australian National University;

Table B.9 Australian Government regulatory and RIS activities, 2001-02 to 2005-06

	2001-02	2002-03	2003-04	2004-05	2005-06
	no.	no.	no.	no.	no.
Regulations introduced					
Bills	207	174	150	172	149
Disallowable instruments ^a	1711	1615	1538	2458	2497
Total introduced	1918	1789	1688	2630	2646
RIS workload					
Total number of new RIS queries received by the ORR	709	861	845	851	948
– of which, the ORR advised a RIS was required	175	132	169	134	128
Proposals finalised in 2005-06^b					
RISs required ^c	145	139	114	85	96
RISs prepared ^c	130	120	109	71	79

^a The large numbers of disallowable instruments reported in 2004-05 and 2005-06 relate, in part, to the commencement of the *Legislative Instruments Act 2003* on 1 January 2005. For example, of the 2857 disallowable instruments tabled in 2005, 365 (12 per cent) were instruments that revoked and remade 11,185 Airworthiness Directives to assist with the back-capturing of these directives under the new rule-making regime introduced under the *Legislative Instruments Act 2003*. ^b Proposals introduced into Parliament or made into law in 2005-06. ^c RISs required and prepared at the decision-making stage.

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- delivered a presentation to the Economic Society of Australia on cost-benefit analysis;
 - delivered a presentation on ‘Best Practice Regulation’ to the Civil Aviation Safety Authority; and
 - attended and delivered presentations to the annual meeting of State, Territory and New Zealand regulation review units in Perth, Western Australia, in December 2005.

The ORR also:

- delivered a presentation on *Improving Australia's Business Environment through Good Regulatory Process* at an international conference on regulatory reform organised by the Korean Development Institute held in Seoul, Republic of Korea on 4 May 2006;
- participated in the selection of consultants to develop a good regulatory practice model for environmental regulations impacting on farmers;
- met with a delegation of officials from the Chinese Government to discuss cost-benefit analysis and its application to the development of Australian transport legislation;
- met periodically with officials from the Regulatory Impact Analysis Unit, Ministry of Economic Development, of the New Zealand Government to discuss regulatory matters of mutual interest;
- provided guidance material on regulatory best practice to the Sustainable Development Unit of the Hong Kong Special Administrative Region Government and to the Regulatory Reform Bureau of the Republic of Korea; and
- met with delegations of officials from the Indonesian Government (Departments of Industry, Trade and Finance), the Brazilian Ministry of Development, Industry and Foreign Trade, and Ofcom, the UK’s independent regulator and competition authority for the communications industry, to discuss a variety of regulatory issues.

The ORR provides information on its regulatory review activities through *Regulation and its Review*, part of the Productivity Commission’s Annual Report suite of publications. The report for 2004-05, which was released in October 2005, reported in detail on compliance by Australian Government departments and agencies with the Australian Government’s RIS requirements and compliance by Ministerial Councils and national standard-setting bodies with the COAG requirements. It also discussed perceptions about Australia’s regulatory system, what governments are doing to improve the quality of regulations, and ways to improve regulation making processes. *Regulation and its Review* fulfils the

Productivity Commission's and the ORR's obligation to report annually on compliance with the Government's regulation review and reform requirements.

The ORR also provides information to government agencies and the public through a webpage linked to the Productivity Commission's website.

Quality indicators

The scope of the ORR's work covers the whole of government. However, the confidentiality of RISs considered by Cabinet limits the extent to which specific matters can be reported publicly.

Evidence of the quality of the ORR's work is provided by feedback from other government and community bodies, including those that prepare RISs and those that use them.

In 2005-06 the ORR continued its ongoing survey of officials preparing RISs to obtain feedback on how departments and agencies view the ORR's work performance and the quality of its service in providing advice on the Government's regulatory best practice requirements. The ORR dispatched 132 evaluation forms and received 67 responses, a response rate of 51 per cent (compared to 46 per cent in 2004-05). Eighteen respondents (27 per cent) rated the quality of the ORR's written and oral advice as 'excellent' while 34 (51 per cent) rated it as 'good'. Fifteen respondents (22 per cent) considered the ORR's service as 'satisfactory'. Sixteen respondents offered specific suggestions on how the ORR could improve the quality of its advice, including:

- looking to substance more than form when commenting on RISs;
- having a better understanding of the background to issues; and
- making its expectations clearer earlier in the process (for example, not making comments on later iterations of a draft RIS that should have been made on the first or second drafts).

As in previous years, the ORR surveyed the 289 Australian Government officials who received training in regulatory best practice in 2005-06 and 178 responses were received — a response rate of 49 per cent. The responses indicate that the ORR training was well received, with 91 per cent rating the training as either 'excellent' or 'good'

Timeliness

The extent to which the ORR's advice is delivered to regulators and decision makers in a timely manner is also a key indicator of performance. A number of factors can affect the ORR's timeliness including: the length and quality of the RIS document received; the complexity of the issues/policy proposals canvassed; the familiarity of ORR staff with the issues covered, including whether the ORR has had prior contact with the department/agency; ORR workloads; and staff availability.

As a general rule, officials preparing a RIS are asked to allow the ORR two weeks to provide advice on their adequacy. However, where further redrafting is necessary, additional time may be needed to ensure that the required adequacy criteria are met. In 2005-06 the ORR provided formal feedback (comments on the first draft of the RIS) to departments and agencies, on average, six working days after RISs were received. The ORR provided comments on 92 per cent of all (first draft) RISs received within two weeks.

Under the COAG *Principles and Guidelines*, the ORR is required to provide advice on RISs for Ministerial Councils and national standard-setting bodies in a timely manner. When asked for advice in two weeks or less, the ORR provided advice within the specified timeframe on all occasions in 2005-06.

The ORR has delivered all other outputs in a timely manner. For example, it prepared a report to the National Competition Council on compliance with the COAG *Principles and Guidelines for National Standard Setting and Regulatory Action by Ministerial Councils and Standard-Setting Bodies*. This report, which covered compliance for the 12 months to the end of March 2006, was completed and delivered on time.

Indicators of usefulness

The usefulness of the ORR's regulation review activities in contributing to government policy-making and promoting community understanding of regulatory review and reform issues can be informed by a range of indicators:

- The ORR has sought to improve the quality of regulation making by gradually increasing the standard of analysis required in RISs. However, a significant source of non-compliance continues to be a failure by departments and agencies to prepare RISs when required.
 - While 96 RISs were required at the decision-making stage in 2005-06, 79 were prepared. Of these, 68 were assessed as adequate (71 per cent

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- compliance). This compares to RIS compliance rates of 80 per cent in 2004-05 and 92 per cent in 2003-04.
- Compliance at the tabling stage was 86 per cent (down from 89 per cent in 2004-05 and 95 per cent in 2003-04).
 - In 2005-06 eight RISs were required at the decision-making stage for regulatory proposals that the ORR identified as having a more significant impact on business and/or the community. In seven cases, RISs were prepared. In each case, the RIS prepared was assessed against the Government's criteria as inadequate. While comparisons of RIS compliance for more significant and less significant proposals over time should be treated with caution, due to the relatively small number of more significant proposals in some years, in only one of the past five years (2003-04), has compliance for more significant proposals exceeded that for less significant ones.
 - RISs tabled in the Parliament with explanatory memoranda or explanatory statements provide greater transparency regarding the rationale behind the Government's regulatory decisions, resulting in the Parliament being better informed. In addition, parliamentarians have drawn on published RISs in debate, and individuals and organisations appearing before parliamentary committees have drawn on the content of RISs.
 - The need for, and content of, RISs were raised in parliamentary discussions on 22 occasions in 2005-06. The mentions covered rules of origin in free trade agreements; the operational separation of Telstra; the quarterly superannuation guarantee regime; heavy vehicle pricing determinations; possible extensions to country of origin labelling of food; terrorist financing; the regulation of national tenancy databases; changes to vessel safety regulation; illegal overseas workers; the Petroleum Retail Legislation Repeal Bill; the Therapeutic Goods Amendment Bill 2005; Financial Services Regulations; and the Treasury Department's RIS compliance in 2004-05.
 - State and Territory government officials contacted the ORR on three occasions during 2005-06 to identify whether proposals complied with COAG RIS requirements, before proceeding with legislation in their State/Territory.

Indicators of the usefulness of the ORR's regulation review activities in promoting understanding of regulatory best practice are also found in the use of its reports.

- The Commission's Regulation and its Review report received more than 70 mentions in press and electronic media in 2005-06 and was cited in three editorials in major newspapers.
- Approximately 1500 printed copies of *Regulation and its Review 2004-05* were distributed (including copies distributed to each Member of the Parliament).

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- The ORR also provides information on regulatory best practice via the Productivity Commission's website. In 2005-06, there were nearly 18 000 external requests for the ORR home page and more than 3000 requests for *Regulation and its Review 2004-05*. There were 4380 requests for *A Guide to Regulation* and 2330 requests for the COAG *Principles and Guidelines*. The RIS training package (1280 requests) and example RISs (2250 requests) were also accessed frequently.

Output 4: Competitive neutrality complaints activities

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) is an autonomous office located within 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 Commonwealth government businesses, and make recommendations to the Government on appropriate action; and
- 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 Parliamentary Secretary to the Treasurer within 90 days of accepting a complaint, and to undertake reporting and associated activities that are of a high standard and useful to government.

The resources used in producing this output in 2005-06 were:

- 1.0 staff years; and
- \$0.2 million on an accrual basis.

Activities in 2005-06

Complaints activity

The AGCNCO received four formal complaints during 2005-06 (table B.10). One complaint was carried forward from 2004-05. Details of complaints, including the action taken in relation to these complaints, is reported in appendix D.

Table B.10 Formal competitive neutrality complaints, 2001-02 to 2005-06

<i>Activity</i>	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>	<i>2005-06</i>
Written complaints received	2	1	9	4	4
Action:					
New complaints formally investigated	1	–	1	–	–
Complaints investigated but not proceeding to full report ^a	1	–	1	–	4 ^c
Complaints not investigated	–	1	6	3	1
Reports completed	5 ^b	–	1	1	–
Complaints on hand (30 June)	–	–	1	1	–

^a Includes: complaints subject to initial investigation but suspended because on further consideration they did not warrant full investigation and report; and complaints investigated and resolved through negotiation. ^b Two complaints related to the same matter — the operation of airports on Australian Government owned land (Sydney Basin airports and Essendon Airport Limited) — and were dealt with in one report. ^c Two complaints related to the same matter — the pricing of aviation rescue and firefighting services by Airservices Australia.

Advice on the application and implementation of competitive neutrality

An important part of the AGCNCO's role is to provide formal and informal advice on competitive neutrality matters and to assist agencies in implementing competitive neutrality requirements. During 2005-06 the AGCNCO provided advice around four times a week, on average, to government agencies or 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. However, in response to requests over the past year, the Office provided a significant amount of advice to agencies implementing competitive neutrality as part of market-testing exercises. In addition, the Office provided advice to the Departments of Finance and Administration and the Treasury in relation to claims by several government businesses of net disadvantage in areas such as employee entitlements and tax payments.

In December 2005 the Australian Competition and Consumer Commission sought the AGCNCO's advice on possible competitive neutrality issues raised by a draft price notification for Airservices Australia's aviation rescue and firefighting services.

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.

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 as to 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.

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 Administration — 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.

As noted in previously, formal investigations can involve provision of significant amounts of data to the Office by both the complainant and the government business subject to complaint. In these situations the Office does not consider it is conducive to good outcomes to enforce a 90 day time limit 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 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 adjusted the estimation of their in-house cost bases in line with the Office's advice.

The Office's report of 2000, *Customs Treatment of Australia Post*, found that aspects of the Customs arrangements did breach competitive neutrality principles and recommended that the value thresholds for formal screening by the Australian Customs Service of *incoming* and *outgoing* postal and non-postal items be aligned. The dollar thresholds for outgoing postal and couriered items were aligned through the *Customs Legislation Amendment and Repeal (International Trade Modernisation) Act 2001*. However, import thresholds on incoming items remained unchanged. Customs Notice No. 2005/57 advised that from 8 October 2005, the value threshold of goods imported by sea and air would be aligned with those imported into Australia by post.

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 2005-06 there were more than 11 000 external requests to the website for AGCNCO investigation reports and more than 800 external requests for AGCNCO research publications.

Output 5: Supporting research and activities and statutory annual reporting

While much of the Productivity Commission's research activity is externally determined, 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. Soon after the Commission formally commenced operations, the Treasurer outlined its supporting research function in the following terms:

The Commission has a self-initiated research program which will complement its other activities. Research themes would be responsive to the views of Governments and business and welfare groups. A major focus for this research will be to analyse the factors underlying productivity growth and social policy issues. (Costello 1998)

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

The resources used in producing this output in 2005-06 were:

- 38.6 staff years; and
- \$6.8 million on an accrual basis.

Activities in 2005-06

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

- research to meet the Commission's annual reporting obligations, comprising:
 - its annual report for 2004-05, tabled in Parliament on 31 October 2005, which focused on some determinants of productive reform in Australia's federal system and discussed how cooperative federalism is set to assume greater significance because of the growing interjurisdictional content of the reform task facing Australia; and
 - two companion publications on regulatory developments in 2004-05 and on trade and assistance issues, released in November 2005 and April 2006, respectively;
- a Commission Research Paper on the role of non-traditional work in the Australian labour market;
- the publication of the proceedings two conferences convened by the Commission — on productive reform in a federal system and on quantitative tools for microeconomic policy analysis — as well as the provision of access through its website to presentations made at the *2006 Productivity Perspectives Conference*;
- publication of the Chairman's presentation to the IMF, World Bank and the OECD, *Structural Reform Australian-Style: Lessons for Others?*, as well as six other presentations made by the Chairman and posted on the Commission's website;
- the Richard Snape Lecture, *Will Asian Mercantilism Meet its Waterloo?*, delivered by Martin Wolf, associate editor and chief economics commentator at the Financial Times, on 14 November 2005 and subsequently published;
- five Staff Working Papers on water policy issues, the link between R&D and productivity and trade modelling framework issues;
- two consultancy reports; and
- other projects associated with inquiry and research support, technical research memoranda, assistance to other government departments, conference papers and journal articles.

The presentation by Martin Wolf was the third in a series of lectures in memory of Professor Richard Snape, the former Deputy Chairman of the Commission and Professor of Economics at Monash University, 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 Professor Max Corden and Anne Krueger, First Deputy Managing Director of the IMF.

Consistent with its intention to ensure economic models and frameworks assist the Commission and other researchers analyse major policy proposals, in November 2005 supporting research resources were committed to updating the Monash Multi-Regional Forecasting (MMRF) model. The resources and urgency accorded the project were significantly upgraded following COAG agreement in February 2006 to a substantial new National Reform Agenda embracing human capital, competition and regulatory reform streams and a request that the Commission report to COAG Senior Officials on the potential economic and revenue impacts of the National Reform Agenda by 30 November 2006. The Commission is also collaborating with the COAG Energy Reform Implementation Group on modelling the potential impacts of further reforms.

The Commission's supporting research resources also provided case studies on structural adjustment in Australia's automotive and TCF industries and drew together lessons learned from Australia's experience with broad-based reform as input to the OECD project on Trade and Structural Adjustment. The Commission's contributions were published by the OECD in October 2005 in *Trade and Structural Adjustment: Embracing Globalisation*.

The research publications produced in the supporting research program in 2005-06 are listed in box B.4. Supporting research proposals in 2005-06 were considered against the intention, as outlined in chapter 2, to focus research on the sustainability of Australia's productivity growth, where sustainability is broadly conceived to include fiscal, economic and environmental aspects. Research projects underway at the end of the year are shown in box B.5.

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 94 presentations given by the Chairman, Commissioners and staff in 2005-06 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.

For example, the project on econometric modelling of R&D and Australia's productivity was assisted throughout by a reference group comprising representatives of the four Australian Government departments (Treasury; the Department of Communications, Information Technology and the Arts; the

Department of Education, Science and Training; and the Department of Industry, Tourism and Resources), the ABS, the Australian Taxation Office, CSIRO and academics from the ANU and the Australian Defence Force Academy. The reference group provided external expertise and feedback on the project and commented on the Staff Working paper before it was finalised. In addition, Dr Trevor Breusch, an econometrics expert from the ANU, advised on modelling strategy and implementation.

Research projects can involve consulting with key interested parties on the issues they view as important and obtaining access to information. For example, Commission staff consulted interested parties in conducting the studies on irrigation externalities and stranded assets, and sought comments on drafts of papers from experts, CSIRO, the Murray–Darling Basin Commission and the National Water

Box B.4 Supporting research and annual reporting publications, 2005-06

Annual report suite of publications

Annual report 2004-05	Regulation and its review 2004-05
Trade & assistance review 2004-05	

Commission research papers

The role of non-traditional work in the Australian labour market

Conference/workshop proceedings

Quantitative tools for microeconomic policy analysis	Productive reform in a federal system
Productivity Perspectives 2006	

Chairman's published speech

Structural reform Australian-style: lessons for others?

Staff working papers

The Armington Model	Irrigation externalities: pricing and charges
Armington elasticities and terms of trade effects in global CGE models	Econometric modelling of R&D and Australia's productivity
Stranded irrigation assets	

Consultants' reports

Quantitative modelling at the Productivity Commission	Measuring the contributions of productivity and terms of trade to Australia's economic welfare
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2005 Richard Snape Lecture

Will Asian mercantilism meet its Waterloo?
(Martin Wolf)

Commission. The Commission visited the Australian Council of Trade Unions, the Australian Chamber of Commerce and Industry, the Australian Government Department of Employment and Workplace Relations and IR Victoria during the course of its study on the role of non-traditional work. The analysis of Armington elasticities drew on the expertise of Visiting Researcher Dr Peter Lloyd, as well as contact with other academic experts.

Research is 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. For example, helpful comments were received on a draft of the Commission Research Paper on the role of non-traditional work in

Box B.5 Supporting research projects underway at 30 June 2006

Technological and organisational complementarities in firm-level innovation	Modelling of the potential benefits of the National Reform Agenda
ICT and productivity: a sensitivity analysis	Water use in Australian agriculture and farm performance *
Knowledge transfer: the links between overseas R&D and Australia's productivity performance	Australia's productivity gaps: international differences in productivity levels and potential for further catch-up
Influence of infrastructure on productivity	Modelling urban water demand and trade
Experimental measures of productivity change in the education sector	Men not at work (males outside the workforce)
Using the Labour Input Loss Index to inform policy choices	Measuring productivity in health service delivery
Splitting global trade data into homogenous and differentiated products	An alternative to the Armington assumption for models of world trade
Economic modelling for Australia and the USA (ARC Linkage Grant) *	Updating the Monash Multi-Regional Forecasting (MMRF) modelling framework used by the Commission
The evolution of Australian enterprises 1990 to 2007 (ARC Linkage Grant) *	Assessing the social and fiscal policy implications of an ageing population (ARC Linkage Grant) *
The distributional impact of health outlays: developing the research and modelling infrastructure for policy makers (SPIRT Project) *	

* Collaborative projects. Information on individual research projects is available from the Commission's website, www.pc.gov.au.

the Australian labour market from two experts. Responding to referees' comments enhanced the quality of final research outputs.

Further evidence of the quality and standing of the Commission's supporting research program this year is found in the publication of papers by staff in refereed Australian journals on input-output tables (Gretton 2005), productivity estimates (Parham and Zheng 2006) and productivity analysis (Parham 2005a, b), and in international journals on data envelopment analysis (Salerian and Chan 2005) and on productivity (Parham 2005c).

Timeliness

The Commission's annual report for 2004-05, including its theme chapter on productive reform in a federal system, was completed on schedule and tabled in Parliament on 31 October 2005. The annual report companion volume, *Regulation and its Review 2004-05*, the Chairman's speech on structural reform and the 2005 Richard Snape Lecture were also published on schedule. Other supporting research publications listed in box B.4 were subject to varying delays in meeting the original completion schedule set by the Commission.

Servicing government projects takes priority and the Commission allocates its resources accordingly. For example, completion of the 2004-05 Trade & Assistance Review was delayed by the secondment of key staff to the secretariat of the Government's Taskforce on Reducing Regulatory Burdens on Business, as well as data availability issues. The priority accorded government-commissioned projects means that a lower priority supporting research project can take longer than anticipated, even though it is delivered within the original budget. Research projects which are not strongly time sensitive can be resourced intermittently.

Redefinition of project scope and delays in obtaining data and referee comments were other common reasons for extended completion times for research projects in the past year. In some cases, initial estimates of the time needed to undertake the required research proved too ambitious. The more experimental or exploratory the project, the more difficult it is to schedule. However, the Commission was able to draw on the Staff Working Papers — on irrigation externalities and on stranded assets — in its own research study for the Government, *Rural Water Use and the Environment: the Role of Market Mechanisms*. And although completion of the Staff Working Paper, *Econometric Modelling of R&D and Australia's Productivity*, took longer than originally anticipated, it was finalised in time to inform the current government-commissioned study being undertaken by the Commission on science and innovation.

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.

- The Minister for Finance and Administration commended the discussion of federalism in the Commission's 2004-05 annual report in the following terms:

In proclaiming my commitment to federalism, may I commend the Productivity Commission on its outstanding Chapter on our Federal System of Government in its latest Annual Report.

In an essay entitled 'Productive Reform in a Federal System', the Productivity Commission describes the many virtues of federalism and debunks the centralists' argument that federalism is a barrier to improving the performance of the Australian economy.

As the Productivity Commission so rightly says about Australia 'the competitive dimension of federalism, which provides in-built incentives for governments to perform better across a variety of areas, is operating well. However the importance of the cooperative dimension of our federation is set to assume greater significance because of the growing interjurisdictional content of the reform task facing Australia.' (Minchin 2005)

- The findings from the 2006 Commission Research Paper, *The Role of Non-Traditional Work in the Australian Labour Market*, and the 2001 Staff Research Paper, *Self-Employed Contractors in Australia: Incidence and Characteristics*, were cited by the Government in its regulation impact statement for the package of reforms contained in the Independent Contractors Bill 2006 and the Workplace Relations Legislation Amendment (Independent Contractors) Bill 2006. The 'myth busting' nature of the Commission's findings on the role of non-traditional employment is evident from the two editorials and other newspaper commentary on the Research Paper, and positive support from groups such as the ACCI and the peak industry body, the Recruitment and Consulting Services Association.
- The continuing usefulness of the Commission's stream of research on Australia's productivity performance is demonstrated by widely based references to it. The OECD Economics Department Working Paper, *Product Market Competition and Economic Performance in Australia*, cited 12 different supporting research reports and papers on productivity (Ziegelschmidt et al. 2005). Other examples during the year include reference to Commission analysis of ICT and productivity in the BCA (2006b) innovation report and use of

Commission productivity analysis by the Australian Industry Group (AiG 2006). The Commission's productivity studies were cited in federal parliamentary debate during the year and in policy papers (for example, Macklin 2006).

- *Trade & Assistance Review*, part of the Commission's suite of annual reporting, is used widely in discussion of industry assistance and trends. For example, around 30 mentions in the WTO *World Trade Report 2006* drew extensively on the assistance data, methodology and coverage issues in the Commission's Review (WTO 2006). The WTO also noted that detailed and comprehensive information on subsidies, easily accessible to the general public, is available only for Australia (the Commission's *Trade & Assistance Review*), Germany (a Ministry of Finance report) and the European Commission (the *State Aid Scoreboard*). The Commission's assistance estimates for tourism and agriculture were used in two NSW Parliamentary Library Briefing Papers (Wilkinson 2005, 2006). Other examples of citations from the past year include an editorial in the Australian Financial Review (May 2006) and by the Agriculture and Food Policy Reference Group (2006).
- The report by the Agriculture and Food Policy Reference Group (2006) to the Minister for Agriculture, Fisheries and Forestry made numerous mentions to findings in the 2005 Commission Research Paper, *Trends in Australian Agriculture*, as well as referring to other supporting research outputs such as the Chairman's speeches. The Australian Treasury's submission to the Reference Group also drew on findings in the Commission Research Paper, the Trade & Assistance Review and Commission research on the links between microeconomic reform and productivity. The National Farmers' Federation (2006) submission to the Australian Fair Pay Commission drew on findings in the Research Paper and it was also cited in four papers presented at the 50th AARES Conference in February 2006.
- The recent BCA (2006d) paper, *Water Under Pressure: Australia's man-made water scarcity and how to fix it*, drew extensively on the 2006 Staff Working Paper, *Stranded Irrigation Assets*, in its discussion of barriers to water trading. Staff Working Papers on water trade modelling were cited by the National Water Commission (Thompson 2005), the NCC (2005), CSIRO (Young et al. 2006), the Victorian Department of Treasury and Finance (2005) and the Natural Edge Project during the past year.
- The Commission's trade-related work, especially on measuring barriers to services trade, continued to be used in the work of the Trade Directorate of the OECD during 2005-06 and by other researchers to illustrate the potential for services trade liberalisation. It was also used extensively in analysis published by Sweden's National Board of Trade (Kommerskollegium 2005). The methodology developed in the 1997 Staff Research Paper, *Service Trade and Foreign Direct*

Investment, was used in the work of two OECD Directorates (Food, Agriculture and Fisheries; and Financial and Enterprise Affairs) in 2005-06.

- The 2006 OECD Economic Survey of Australia cited a number of supporting research publications including the federalism chapter in the Commission's 2004-05 annual report, and staff papers on the econometric modelling of R&D and productivity (2006) and directions in State tax reform (1998).
- The Chairman's speeches receive media and editorial coverage and are used by others in policy analysis and debate including in parliament and, for example, by the National Reform Initiative Working Group (2005), the OECD (2006a), the Agriculture and Food Policy Reference Group (2006) and ABARE (Davidson et al. 2005). The Chairman's presentation to seminars at the IMF, World Bank and OECD on the Australian structural reform experience was subsequently made available in published form to assist its dissemination.
- 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. To 30 June 2006, for the reports listed in box B.4, there were more than 22 300 external requests for the index pages on the Commission's website. There were more than 10 700 external requests for speeches given by the Commission's Chairman in 2005-06.