
2 Review of Commission activities and performance

Some highlights from 2009-10

- published major reports on a range of topics including gambling, executive remuneration, the contribution of the not-for-profit sector, Australia's anti-dumping system, the performance of public and private hospitals, water recovery in the Murray Darling Basin and wheat export marketing
- completed further stages of the review of regulatory burdens on business and the benchmarking study on business regulation
- released the 2009 report on Overcoming Indigenous Disadvantage in conjunction with an invited presentation to COAG on the findings of the report
- received a government request for the Commission to report, every two to three years, on the economic impacts and benefits of COAG's agreed reform agenda
- hosted a roundtable conference on evidence-based policy making
- delivered further tranches of reporting on National Agreement performance indicators for the COAG Reform Council
- completed a range of supporting research, including submissions to other reviews, to inform policy development and promote debate on productivity growth, the National Broadband Network, urban water, agricultural trade policies and the effects of education and health on wages and productivity

Areas of focus for 2010-11

- complete current inquiries and government-commissioned research on disability care and support, aged care, urban water reform, the vocational education and training workforce, trade agreements, rural research and development, and a framework for assessing the impacts and benefits of COAG's reform agenda
- continue assessment of regulatory burdens on business and the inter-jurisdictional benchmarking of business regulation
- provide ongoing secretariat assistance to the Steering Committee for the Review of Government Service Provision and the Indigenous Expenditure Report Steering Committee, and respond to outcomes arising from the review of ROGS
- prepare for new role in undertaking industry reviews associated with the Government's Renewable Energy Target
- plan for, and further develop, capabilities to meet future work demands on economic, social and environmental issues of national significance

Overview

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Consistent with the objective of raising national productivity and living standards, its remit covers all sectors of the economy. The Commission's work extends to the private and public sectors, including areas of state, territory and local government, as well as federal responsibility.

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

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

The outcome objective designated for the Productivity Commission is:

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

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

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

The breadth and volume of the Commission's work are indicated by the reports published in 2009-10 (box 2.1). They included government-commissioned inquiries and studies on such diverse topics as executive remuneration, gambling, wheat marketing, the contribution of the not-for-profit sector, the performance of public and private hospital systems, and mechanisms to recover water in the Murray Darling basin.

Box 2.1 Commission publications in 2009-10***Public inquiries (draft reports)***

Australia's Anti-dumping and Countervailing System	Gambling
Wheat Export Marketing Arrangements	Executive Remuneration in Australia

Public inquiries (final reports)

Australia's Anti-dumping and Countervailing System	Gambling
Executive Remuneration in Australia	

Government-commissioned research studies (draft reports)

Performance Benchmarking of Australian Business Regulation: Occupational Health and Safety	Market Mechanisms for Recovering Water in the Murray-Darling Basin
Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety	Contribution of the Not-for-Profit Sector
Public and Private Hospitals	Annual Review of Regulatory Burdens on Business — Business and Consumer Services

Government-commissioned research studies (final reports)

Restrictions on the Parallel Importation of Books	Annual Review of Regulatory Burdens on Business — Social and Economic Infrastructure Services
Public and Private Hospitals	Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety
Contribution of the Not-for-Profit Sector	Market Mechanisms for Recovering Water in the Murray-Darling Basin
Performance Benchmarking of Australian Business Regulation: Occupational Health and Safety	

Chairman's published speeches

An Economy-wide View: Speeches on Structural Reform

Annual report suite of publications

Annual Report 2008-09	Trade & Assistance Review 2008-09
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Box 2.1 (continued)

Performance reporting

Report on Government Services 2010

Report on Government Services 2010:
Indigenous compendium

National Agreement performance
information 2008-09: National Healthcare
Agreement

National Agreement performance
information 2008-09: National Affordable
Housing Agreement

National Agreement performance
information 2008-09: National Disability
Agreement

National Agreement performance
information 2008-09: National Indigenous
Reform Agreement

National Agreement performance
information 2009: National Agreement for
Skills and Workforce Development

National Agreement performance
information 2009: National Education
Agreement

Data gaps in education and training
National Agreement reports: 2008

Data gaps in National Agreement reports:
2008 and 2008-09

Overcoming Indigenous Disadvantage:
Key Indicators 2009

Submissions

Submission to the House of Representatives Standing Committee on Economics:
Inquiry into Raising the Level of Productivity Growth in Australia

Submission to the Senate Select Committee on the National Broadband Network

Conference/workshop proceedings

Strengthening Evidence-based Policy in the Australian Federation

2009 Richard Snape Lecture

China's Policy Responses to the Global
Financial Crisis (Professor Yu Yongding)

Staff working papers

Modelling the Effects of the EU Common
Agricultural Policy

The Effects of Education and Health on
Wages and Productivity

Developing a Partial Equilibrium Model of
an Urban Water System

Supplement to research report

Public and Private Hospitals: Multivariate
Analysis

An emphasis on regulatory themes in the Commission's work program continued during 2009-10, with the completion of further stages of the review of regulatory burdens on business and the benchmarking study on business regulation.

The Commission also continued to assist Australia's jurisdictions and COAG through a mix of standing research responsibilities and specific projects. In the

current year, for example, standing research activities included cross-jurisdictional reporting on the performance of government services and further reporting on indicators of Indigenous disadvantage. Specific projects undertaken to assist policy development across jurisdictions included the inquiry into gambling, which followed a request by COAG in July 2008 for the Commission to update its earlier report, and studies on benchmarking business regulation in the areas of food safety and occupational health and safety to assist the work of the COAG Business Regulation and Competition Working Group. The Commission also provided secretariat, research and report preparation services to the Steering Committee for the Review of Government Service Provision in respect of reporting annual performance information on six National Agreements to the COAG Reform Council, and provided secretariat, research and report preparation services to the Indigenous Expenditure Steering Committee in respect of the annual report on expenditure on services to Indigenous Australians.

The diversity of topics in the Commission’s work program also appears set to continue. For example, current work to be completed by the Commission by early 2011 includes inquiries and studies on aged care, disability care and support, the impacts and benefits of COAG reforms, bilateral and regional trade agreements and the vocational education and training workforce.

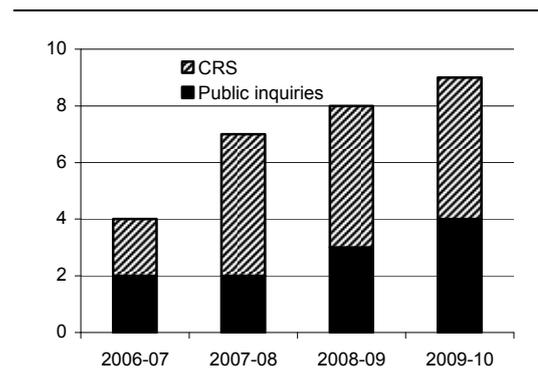
Year in review

The Productivity Commission’s role in informing public policy development and community understanding on key issues influencing Australia’s productivity and living standards is pursued through four main work streams. The principal developments in these activities during 2009-10 are outlined below.

Public inquiries and other commissioned studies

The Commission had seven public inquiries and ten commissioned research studies underway at some time during 2009-10. In addition to completing seven references from the previous year, it received ten new projects, maintaining the breadth of policy coverage evident in recent years (figure 2.1).

Figure 2.1 References on hand
Number at 30 June



The Commission completed three inquiries commenced in the previous financial year: on gambling, executive remuneration and anti-dumping.

Four new inquiries commenced in 2009-10.

- An inquiry that commenced in September 2009 to examine the operation and effectiveness of the current wheat export marketing arrangements. In conducting the inquiry the Commission has been asked to consider the effects of new marketing arrangements on relevant stakeholders and the costs and benefits that the new arrangements deliver. The Commission is also required to provide comment on those aspects of the new arrangements that are working effectively and identify those that require change.
- The Commission's inquiry into rural research and development corporations started in February 2010. It will include an examination of a range of issues, including the economic and policy rationale for Commonwealth Government investment in rural R&D; the appropriate level of, and balance between public and private investment in rural R&D; and the effectiveness of the current rural development corporation (RDC) model.
- The inquiry into aged care commenced in April 2010. As part of the inquiry, the Commission is to provide a comprehensive consideration of social, clinical and institutional aspects of aged care in Australia, and to develop regulatory and funding options for residential and community aged care.
- In February 2010, the Assistant Treasurer asked the Commission to conduct an inquiry into a national disability care and support scheme in Australia. The inquiry, which began in April 2010, will examine a range of options and approaches for the provision of long-term care and support for people with severe or profound disability. This includes an examination of a social insurance model on a no-fault basis, and other options that provide incentives to focus investment on early intervention.

During 2009-10 the Commission finalised five government-commissioned research studies commenced in the previous year:

- a study on the restrictions on the parallel importation of books into Australia that commenced in November 2008 and was released in final form in July 2009
- the third stage of the review of regulatory burdens on business, completed in September 2009
- the third stage of the benchmarking study on business regulation, which released reports on Food Safety in December 2009 and Occupational Health and Safety in March 2010

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- a study of the contribution of the not-for-profit sector, that was finalised in January 2010
 - a commissioned study on the performance of public and private hospital systems that was released in December 2009, with a supplement providing further modelling results released in May 2010.

It also received a request for, and completed, a research study on mechanisms to purchase water entitlements.

The Commission commenced a further five new research studies during the year which are ongoing: further stages of its regulation benchmarking and regulatory burdens studies; a study of bilateral and regional trade agreements; the first stage of a series of studies on the education and training workforce; and a review of the costs and benefits of the COAG reform agenda.

Further information on public inquiries and commissioned research studies undertaken by the Commission during 2009-10 and government responses to reports is provided in appendices C and D.

Performance reporting and other services to government bodies

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

Report on Government Services

The *Report on Government Services 2010* was the fifteenth in this series. The Report provides comparative information on the performance of 14 government service delivery areas that contribute to the wellbeing of Australians — spanning education, health, justice, community services, emergency management and housing. The services covered in the 2010 Report collectively account for approximately \$136 billion of government recurrent expenditure, equivalent to 13.1 per cent of gross domestic product. A separate *Indigenous Compendium* was also published, providing an easily accessible collation of data from the Report relating to the delivery of services to Indigenous Australians.

The Review continues to evolve. The 2010 Report included new indicators for vocational education and training, aged care services, and protection and support services, and improved reporting on aspects of children's services, school education, corrective services, emergency management, public hospitals, primary and community health, health management issues, services for people with disability, and housing.

In November 2008, COAG agreed to a review of the Report on Government Services. COAG endorsed the review's recommendations at its 7 December 2009 meeting, including that 'the Steering Committee's central role in collecting and publishing data on government service delivery, and the need for timely access to data held by data providers, should be stated in [a] new terms of reference and mandated by COAG' (COAG 2009d, recommendation 20). COAG endorsed new terms of reference in April 2010 that enhance the authority and strategic nature of the Steering Committee.

Overcoming Indigenous Disadvantage: Key Indicators

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

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

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

Since it was first established in 2003, the OID report has established itself as a source of high quality information on the progress being made in addressing Indigenous disadvantage across a range of key indicators. The OID report has been used by Governments and the broader community to understand the nature of Indigenous disadvantage and as a result has helped inform the development of policies to address Indigenous disadvantage (Rudd 2009).

The most recent edition was released in conjunction with a COAG meeting in Darwin that had a focus on Indigenous policy. The report showed that many Indigenous people have shared in Australia's recent economic prosperity, with increases in employment, incomes and home ownership. There have also been improvements in some education and health outcomes for Indigenous children. However, even where improvements have occurred, Indigenous people continue to have worse outcomes than other Australians, and many indicators have shown little

or no change. In some key areas, particularly criminal justice, outcomes for Indigenous people have been deteriorating.

National Agreement reporting

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

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

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

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

The second cycle of the first tranche of reporting, delivered to the COAG Reform Council on 30 June 2010, included:

- specifications for all performance indicators in the National Education Agreement and the National Agreement for Skills and Workforce Development
- specifications for education and training performance indicators in the National Indigenous Reform Agreement

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

The second tranche of reporting, delivered to the COAG Reform Council on 24 December 2009, included:

- specifications for all performance indicators in the National Healthcare Agreement, National Affordable Housing Agreement, National Disability Agreement and the National Indigenous Reform Agreement
- data for the baseline reporting period of the 2008-09 calendar year (where 2008-09 data were not available, the most recent reporting year was included)
- comment on data quality for each performance indicator (based on the data quality statements provided by the collection agencies), and an overall comment on the key issues in reporting against the performance indicators
- additional contextual information (including outputs listed in the National Agreements for healthcare, affordable housing, disability and Indigenous reform).

The Steering Committee was asked by the Chair of the HoTS Committee to draw together information on data gaps in the National Agreement performance reporting. The Steering Committee's reports cover data gaps across all six National Agreements under the IGA, including:

- performance indicators that do not provide adequate/appropriate measures for reporting against associated outcomes
- performance indicators where no data are available
- performance indicators where baseline year data are not available
- performance indicators where data are not able to be reported according to the required disaggregations
- performance indicators where there are issues of statistical reliability.

Indigenous Expenditure Report

The Productivity Commission also provides (separate) secretariat services for the Indigenous Expenditure Report Steering Committee. In 2007, COAG agreed to the

reporting of Indigenous expenditure, and the Steering Committee to take this forward was established in May 2008. The Productivity Commission assumed secretariat responsibilities from November 2008. A Stocktake Report, including terms of reference for the report and a high level overview of the intended methodology and future development process, was endorsed by COAG in July 2009. Following COAG endorsement of the Stocktake Report, the Steering Committee has prepared:

- an *Expenditure Data Manual*
- a *Service Use Measure Definitions Manual*
- a draft *2010 Indigenous Expenditure Report* (currently before governments for sign-off).

Once formal endorsement has been provided by all jurisdictions, the report will be submitted to COAG, through the HoTs Committee and Ministerial Council for Federal Financial Relations. Initial planning has commenced for the 2011 Indigenous Expenditure Report.

Further information on performance reporting activities in 2009-10 is provided in appendix C.

Competitive neutrality complaints activities

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

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) is staffed on a needs basis and operates as a separate unit within the Commission. Its function is to receive and investigate complaints and provide advice to the Treasurer on the application of competitive neutrality arrangements. The Office received no formal written complaints in 2009-10.

The Office also provides informal advice on, and assists agencies in, implementing competitive neutrality requirements. During 2009-10, the Office provided advice twice a week, on average, to government agencies or in response to private sector queries.

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

Supporting research activities and annual reporting

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

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

In 2009-10 the Commission's supporting research program continued to emphasise the sustainability of productivity improvements, including environmental and social aspects. This included work on productivity and its determinants; labour markets; and the development of economic models and frameworks.

The Commission's published research during the year (box 2.1) included staff working papers on agricultural policy, urban water and the effects of education and health on wages and productivity. Several papers were also published connected to the Commission's statutory annual reporting requirements.

Further information on the Commission's supporting research activities and publications in 2009-10 is provided in appendix E. This also details the 104 presentations given by the Chairman, Commissioners and staff during the year to ministerial councils, industry and community groups, and conferences. These presentations covered the gamut of the Commission's inquiry, research and performance reporting work (table E.1). The Commission briefed 29 international delegations and visitors during 2009-10, with a focus on the Commission's role and activities and related policy issues, particularly regulation (table E.2).

Transparency and public consultation

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

Open inquiry procedures

The Commission's public hearing process, public access to the submissions made to its inquiries and the publication of draft and final inquiry reports are among the better known aspects of its operations. An indication of the extent of consultation undertaken by the Commission is that during the course of its public inquiry activities in 2009-10, it met with more than 260 organisations or groups; held 28 days of public hearings; and received more than 600 submissions.

The Commission has adapted its processes to suit the variety of research studies commissioned by the Government. These studies require less formal public interaction than inquiries, but the Commission nevertheless provides opportunities for participants or experts to comment on its analytic frameworks and preliminary findings and, where applicable, draft recommendations. For example, the Commission received around 480 submissions to these studies in 2009-10, with many visit programs and targeted roundtable discussions to engage with key participant groups on the issues of concern to them.

The nature of the Commission's consultative and transparent processes in the past year is illustrated in box 2.2. These examples also demonstrate initiatives to ensure that the views and experiences of people living in regional areas are taken into account.

Enhancing its own research capabilities

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

Box 2.2 Participative and transparent processes: two examples

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

- In conducting its inquiry into gambling, the Commission sent circulars to a wide range of individuals and organisations thought to have an interest in the inquiry. During the early stages of the inquiry, the Commission also consulted with a range of interested parties to get an idea of the key issues and where the Commission's report could add most value. A number of roundtables were also held in late 2008 and early 2009. A Draft Report was released for public comment in October 2009. Public hearings to discuss the Draft were held in Melbourne, Sydney, Adelaide, Brisbane and Canberra in late November and early December. In conducting its inquiry, the Commission benefited greatly from the participation of a wide range of individuals and organisations, receiving some 422 submissions.
- In the course of its inquiry into wheat export marketing arrangements, the Commission undertook extensive consultations in rural and regional areas. The Commissioners and team undertook informal industry visits prior to the receipt of the terms of reference in order to be able to release an issues paper as soon as possible after the inquiry was announced. The inquiry was advertised nationally, including in regional areas, and the Commission promoted the inquiry on its website. A media alert was issued, and advertisements also placed in each of the relevant metropolitan and regional papers regarding the hearings and forums. The Commissioners also undertook radio interviews on the ABC to draw growers' attention to the public forums in regional areas. The 15 hearings and forums held during the inquiry included a major wheat growing area in each wheat growing state, in addition to metropolitan areas. The Commission also consulted widely through discussions with interested parties such as the Wheat Export Authority, growers, grains industry representatives, accredited exporters, bag and container exporters, potential bulk exporters, bulk handling companies, the Australian Competition and Consumer Commission and relevant government departments.

In August 2009 the Commission held a Roundtable on the topic 'Strengthening Evidence-Based Policy in the Australian Federation.' Participants included government officials, academics, consultants, journalists and representatives of a range of organisations and agencies. Keynote addresses were presented by Dr Ron Haskins, Senior Fellow of the Brookings Institution, and Professor Jeffrey Smith of the University of Michigan. The roundtable discussed the principles of the evidence-based policy movement and reviewed how well Australian use of evidence conformed to best practice. It then considered how to improve the availability of quality evidence, and reviewed possible institutional developments to embed good use of evidence more firmly into policy-making. Papers were initially made available on the Commission's website and the proceedings were subsequently published.

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

The Commission's Visiting Researcher Program seeks to attract established researchers with an outstanding research record in areas related to its priority research themes and activities. Visiting Researchers contribute to both the work and intellectual life of the Commission. In 2009-10 Dr Rick Geddes (Cornell University) joined the Commission as a Visiting Researcher during the year.

Research collaboration

The Commission continued to participate in collaborative research projects with academic institutions in 2009-10. The projects involved:

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

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

database development. The Commission sits on the GTAP advisory board, providing direction to the project along with 24 other international institutions.

Research networks and linkages

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

- The Commission's Chairman, Gary Banks, is a member of the Advisory Board of the Melbourne Institute of Applied Economic and Social Research and serves on the Board of Advisory Fellows for the Regulatory Institutions Network (RegNet) at the Australian National University, as well as on the Advisory Board of the Economics Department at Monash University. He is on the judging panel for the BHP Billiton/Reconciliation Australia 'Indigenous Governance Awards'. He also is a member of the speaker faculty for the Melbourne Business School's Public Policy Series. In 2008, he was made a National Fellow of the Institute of Public Administration Australia (IPAA).
- Other Commissioners are also members of various advisory boards and committees, including university and non-profit organisations. For example, Deputy Chairman Mike Woods has been the Commission's principal contributor to the China Australia Governance Program (CAGP) and chaired the Fiscal Reform Implementation Planning Committee. Robert Fitzgerald serves on a number of university advisory boards, including the Queensland University of Technology's Centre for Philanthropy and Nonprofit Studies Advisory Board, and the Australian Catholic University Community Engagement Advisory Committee. Dr Wendy Craik serves on the Boards of the WorldFish Center, the Foundation for Rural and Regional Renewal and Dairy Australia. Louise Sylvan is Deputy President of the Council of the Medical Foundation of the University of Sydney, and also serves on the Board of the Diplomacy Training Program established by The Hon Jose Ramos Horta. Philip Weickhardt is currently Chairman of Earthwatch Institute, a not-for-profit organisation which contributes to scientific research on environmental issues. He is also on an advisory Board for Anglo American in Australia, and does some teaching for Melbourne Business School in the executive education area.
- Members of the secretariat for the Review of Government Services are observers or members of various national and intergovernmental advisory groups developing priorities and strategies for improved reporting. The secretariat also provides expert advice to data collectors and users on concepts, definitions and classifications. Following the formation of new high level COAG working groups and the adoption by COAG of major reform agendas, the secretariat has

been invited by several COAG working groups and sub-groups to advise on performance and outcome reporting for government services and for Indigenous people.

- The Commission is part of a research consortium, comprising the US National Bureau of Economic Research and several Asian research institutes, which arranges the annual East Asian Seminar on Economics. The 21st East Asian Seminar on Economics was held in Sydney in June 2010. Commission research on productivity and the trade and investment effects of preferential trading arrangements has featured in previous seminars.
- The Commission's Chairman and senior staff have also participated in the East Asian Bureau of Economics Research's 'Public Sector Linkages Project'. This project, involving representatives from leading policy research institutes throughout East Asia, held a series of international meetings concerned with the development of better institutional foundations for structural reform in countries in the region.
- Staff members are also involved in a range of other research networking activities. For example, members of staff served on a range of bodies including the ABS Productivity Measurement Reference Group, the ABS Analytical Reference Group and the OECD Working Party on Industry Analysis.

Informing and communicating via the internet

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

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

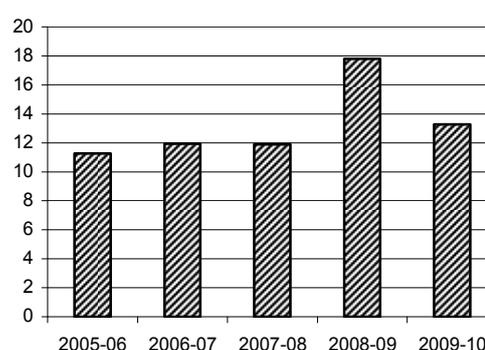
parliamentarians, the media, government departments and contacts in the states and territories.

In the 12 months to June 2010 there were more than 205 000 external requests for the index pages of inquiries and commissioned research studies current in 2009-10. The projects of most interest were the inquiries on gambling (38 750 requests), disability support (26 640 requests) and executive remuneration (19 000 requests), and the research study on the contribution of the not-for-profit sector (27 800 requests). Other heavily accessed web pages were for the 2009 and 2010 Reports on Government Services (and 23 300 and 23 400 requests, respectively) and the 2009 Overcoming Indigenous Disadvantage Report (50 900 requests). Speeches by the Commission's Chairman attracted more than 41 000 requests.

Even after an inquiry or project is completed, community interest can remain high. For example, during the year, the web pages for the Commission's 1999 inquiry on Australia's gambling industries and the 2005 study of the economic implications of an ageing Australia were each requested over 10 000 times.

The Commission's website received over 13 million file requests from external users in 2009-10 (figure 2.2).

Figure 2.2 Website hits
Million



Feedback on the Commission's work

The Commission actively monitors reaction to, and seeks feedback on, its work in order to improve its performance and its contribution to public understanding and policy making. The results of past surveys were reported in previous annual reports and cover external perceptions about the quality of the Commission's inquiry processes and reports, its reporting on the financial performance of government trading enterprises and the quality and usefulness of its supporting research program. The rolling program of surveys complements the feedback received through comments and submissions on draft reports, position papers, workshop papers and the views expressed during public hearings and consultations on its research program.

In June 2007 the Commission undertook a survey of the quality and readability of its reports in order to identify areas in which its performance could be enhanced. Results from this survey were reported in detail within the 2006-07 Annual Report.

The Commission has used the findings of this and earlier surveys to develop an improved framework for engaging with and responding to the range of potential participants in its work. As part of this process it has been giving attention to how it presents its analysis and conclusions, and to the readability of its reports.

The Steering Committee for the Review of Government Service Provision has sought feedback on the usefulness of the *Report on Government Services* every three years until 2007. A survey in 2007 found that 78 per cent of respondents were satisfied or very satisfied with the Report. Data comparability, quality and timeliness were identified as ongoing areas for improvement. Further details on the survey results are in appendix B. The feedback survey scheduled for 2010 was postponed pending the outcome of a review of the Steering Committee's Report on Government Services, commissioned by COAG in 2009. COAG endorsed the review's recommendations at its 7 December 2009 meeting. These recommendations noted that the ROGS should continue to be the key tool to measure and report on the productive efficiency and cost effectiveness of government services, and that the Chairman of the Productivity Commission should remain Chair of the Steering Committee, with the Productivity Commission continuing to provide secretariat support.

In addition to its rolling program of surveys, the Commission monitors less formal sources of feedback on the public record. Views expressed about the value of the Commission's processes and the quality of its outputs can reflect agreement with, or opposition to, specific pieces of Commission analysis or advice. Nevertheless, the examples in box 2.3 help illustrate the breadth of support for the Commission's policy-advising contribution.

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

The Commission also provides an opportunity for people attending its public hearings to express their views on the organisation and the conduct of hearings. The number of participants providing feedback through these mechanisms nevertheless remains low: less than 50 respondents in total in 2009-10. Most of the feedback was positive. Feedback is in turn forwarded to authors, inquiry teams and management for consideration and action, where required.

Box 2.3 Support for Commission activities: some recent examples

In March 2010, the Assistant Treasurer, Senator the Hon. Nick Sherry, said that:

... it's important to have rigorous economic analysis and the Productivity Commission is an important part of that debate in Australia. (Sherry 2010)

During the year COAG requested that the Commission undertake several new projects to assist it with its work. These included a study of the impacts and benefits of the COAG reform agenda, and a series of studies on the education and training workforce. In announcing the latter series of studies, the Government stated that this work would:

...provide valuable input to the work of the Council of Australian Governments (COAG) to strengthen Australia's education and training workforces.(Gillard and Sherry 2010)

The Opposition also proposed a number of tasks for the Commission during the year, including that it inquire into and recommend future population policies; conduct an economic analysis of all proposed major defence acquisitions; and analyse a number of aspects of the Government's Carbon Pollution Reduction Scheme (CPRS).

Additional funding was announced for the Commission in the 2010-11 Budget for it to undertake industry reviews associated with the Government's Renewable Energy Target. More broadly, the Budget also stated that:

It is anticipated the Commission's work in 2010-11 and the forward years will be integral to the national reform agenda.

In April 2010 the Grattan Institute called for a permanent group to be established within the Commission to monitor the effect of a carbon price on the competitiveness of industry. (Daley and Edis 2010)

In July 2010 the final report of the (Cooper) Review of the Superannuation System proposed a number of tasks for the Commission, including that it be asked to review the processes by which default superannuation funds are nominated in awards.

A range of policy analysts and newspaper editorials during the year variously advocated that the Commission be asked to undertake reviews of energy efficiency; the costs of inconsistent public holiday dates across state and territory jurisdictions; bilateral trade agreements; aspects of electronic payment systems; the economic case for the structural separation of Telstra; the potential savings arising from using technologies to maintain seniors in their own homes; the viability of wind power; regional provision of services and infrastructure; current retail structures; the cost and prevalence of communication and swallowing disorders in Australia; and the economic and social costs of suicide.

In February 2010 the OECD referred to the Commission as 'a respected source of advice on the potential areas where reform will deliver economic benefits' and discussed its 'important role in the achievement of the objectives of COAG's reform agenda.' (OECD 2010b, p. 139)

In March 2010 the New Zealand Government announced the establishment of a New Zealand Productivity Commission, stating that:

The (New Zealand) Commission's roles and functions are modelled closely on the Australian Productivity Commission, which has been operating for more than 10 years... The independence of the Australian Productivity Commission has ensured that important public policy issues have been tackled in a non-political way. (English and Hide 2010)

Details are provided in appendix C.

Policy and wider impacts

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

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

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

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

Influence on government policy-making

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

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

- The Government accepted most of the Commission's recommendations on executive remuneration (Swan, Bowen and Sherry 2010). Of the 17 recommendations in the report the Government provided acceptance or in-principle acceptance to 16, with six subject to further strengthening.
- In response to the Commission's *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services* the Government accepted

or provided in-principle acceptance to a majority of the recommendations in the report. Of the 42 Commission recommendations, the Government accepted or accepted in principle 26 recommendations, and noted a further 12 recommendations. The Government accepted recommendations across a range of areas, including aged care; child care; information media and telecommunications; electricity, gas, water and waste services; transport; and education and training.

- The Australian Government released an initial response to the Commission's gambling report on 23 June 2010. In responding in brief to the report the Government stated that it supported key reform directions to minimise the harm caused by problem gambling. For example, it stated that it:

... supports the use of pre-commitment technology to tackle problem gambling and is committed to working with State and Territory Governments, and industry, in implementing this technology. (Macklin, Sherry and Conroy 2010)

The Government did not agree with the Commission's recommendation to allow for the partial liberalisation of online gambling.

- The Government also announced in November 2009 that it will establish a National Offshore Petroleum, Minerals and Greenhouse Gas Storage Regulator, in line with recommendations made in the Commission's 2009 review of regulation in the upstream petroleum sector (PC 2009a).
- In April 2010, COAG agreed to the development of a nationally consistent approach to fundraising regulation, in line with recommendations made in the Commission's report on the economic contribution of the not-for-profit sector. (COAG 2010a)
- In responding to the Commission's report on restrictions on the parallel importation of books in November 2009, the Government announced that it did not intend to change the Australian regulatory regime for books (Emerson 2009a).
- In June 2010, the Government announced that, in partnership with the Western Australian Government, it would conduct a pilot of drought reform measures from 1 July 2010 to 30 June 2011 (Burke 2010a). The pilot reform measures draw partly on a number of recommendations made in the Commission's 2009 inquiry report on *Government Drought Support*, in particular regarding interest rate subsidies and farm exit support.

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

Governments need not accept the Commission's advice, and sometimes do not (at least initially). That said, a review of the Commission's inquiry outputs since its

inception in 1998 shows that governments have typically adopted a substantial majority of the Commission's recommendations and generally endorsed its findings (details are provided in appendix C and table C.7). Further, an assessment of the nature and extent of references made to Commission inquiry reports suggests that those reports have contributed to policy debates in federal, state and territory parliaments, as well as within the media and general community (appendix C).

Contribution to parliamentary debate

Commission inquiry and research reports continue to be used frequently by parliamentarians in debates and questions. During the 2009-10 sittings of the *Federal Parliament*:

- 86 Members and 41 Senators referred to 43 different Commission reports or inquiries, or to the Commission's role in policy processes
- in around three-quarters of the 268 mentions in debates and questions, federal parliamentarians cited the Commission as an authoritative source. Only 3 per cent of mentions were of a critical nature
- Commission inquiries and reports which featured most prominently were those on aged care trends, paid parental leave, executive remuneration, consumer policy and gambling.

In addition, there were 250 mentions of the Commission and its work in the Hansard proceedings of *federal parliamentary committees* in 2009-10. The Commission was mentioned in the proceedings of 21 different committees, most prominently in proceedings of the Senate Standing Committee on Community Affairs; the Senate Standing Committee on Economics; the Senate Standing Committee on Environment, Communications and the Arts; the Senate Standing Committee on Rural and Regional Affairs and Transport; and the House of Representatives Standing Committee on Employment and Workplace Relations. The most frequent mentions were to the reports on paid parental leave, executive remuneration, the contribution of the not-for-profit sector and consumer policy.

Fourteen parliamentary committees drew on a range of Commission inquiry and research outputs in their own reports. The 26 recent parliamentary committee reports listed in table C.1 referred to 20 different Commission outputs.

Some thirty Parliamentary Library reports in 2009-10 referred to Commission inquiry and research reports, or to reports on government services (table C.2). This included the use of Commission outputs to inform discussion of legislation in such key areas as executive remuneration, chemicals and plastics regulation, land transport, industry assistance, health workforce reform, consumer policy,

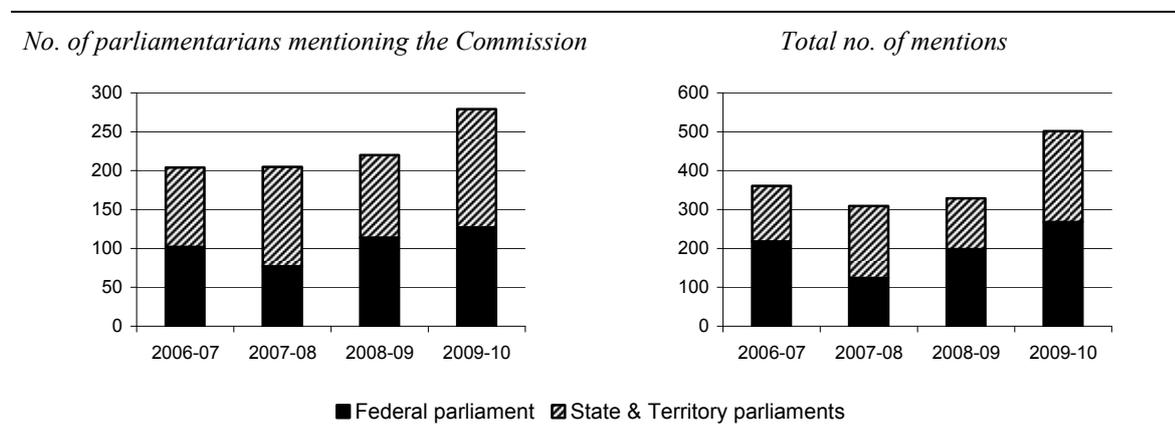
occupational health and safety, petroleum production, drought assistance, research and development and paid parental leave. Use of Commission outputs by the Australian National Audit Office is also reported in appendix C.

Commission inquiry and research reports, from this and previous years, were also used extensively in debate and questions by *state and territory parliamentarians*. During the 2009-10 sittings of the eight state and territory parliaments:

- 152 members referred to 31 different Commission publications or inquiries, the Report on Government Services, or to the Commission’s role in policy processes
- in 87 per cent of the 234 mentions in debates and questions, State and Territory parliamentarians cited the Commission as an authoritative source, with only 2 per cent of mentions that were critical of a particular finding, report or Commission attribute
- around 40 per cent of mentions were to the Report on Government Services, with the Commission’s reports on consumer policy, the health workforce, and gambling also featuring prominently.

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

Figure 2.3 Mentions of the Commission in Australian parliaments, 2006-07 to 2009-10



Other indicators of policy impact

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

- use of Commission analysis during the year by the Prime Minister, Treasurer and other Ministers, the Leader of the Opposition and Shadow Ministers,

including use of Commission reports on paid parental leave, gambling, water buybacks and the regulatory burdens on business

- use of recommendations from the Commission's 2006 report on consumer product safety when designing a national product safety website for consumers (Emerson 2010)
- the widespread use being made of the Report on Government Services by central and line government agencies, state Ministers, parliamentarians, parliamentary committees, Auditors-General, and community and industry groups
- the use made by the Commonwealth Treasury, COAG, state governments, federal parliamentary committees, the Parliamentary Library, the ABS, the AIHW, the National Health and Hospitals Reform Commission and others of a diverse range of Commission supporting research outputs, in particular its work on productivity analysis, health and aged care, emissions trading, climate change and rural and urban water use
- use of Commission outputs by key international agencies, including the OECD and the IMF.

One continuing indicator of the degree of interest in the Commission's inquiry and other work is the many invitations to give briefings and present papers to parliamentary, business and community groups and to conferences (table E.1). As part of a rolling program of briefings for state and territory governments on the Commission's work, presentations and visits were made to Queensland, New South Wales, South Australia and Victoria, and visits to other jurisdictions are scheduled throughout 2010-11. The Commission also responded to requests for briefings to visiting officials and delegations from Iraq, New Zealand, Indonesia, the Philippines, Thailand, Vietnam, Papua New Guinea, China, the United States, Saudi Arabia, Canada, Cambodia, Chile, Pakistan, Abu Dhabi, APEC, the OECD and IMF (table E.2).

A further indicator of public interest in the Commission's work, and its potential influence, is the extent of media coverage. During 2009-10, 76 editorials in eleven major metropolitan newspapers drew on the findings or recommendations in 17 different Commission reports, or referred to the Commission's role in assisting public policy making. The Commission's reports on gambling and executive remuneration featured prominently. However, editorials also drew on the analysis in a range of other inquiry and research reports (including those on government drought support, restrictions on the parallel importation of books, government services and Indigenous disadvantage) or referred to the Commission's role in contributing to policy development. The Commission rated an average of 352 mentions a month in electronic media and an average of 280 mentions a month in print media in 2009-10. The Commission's inquiries into executive remuneration

and gambling and its study of parallel import restrictions on books received the most coverage. Indicators of the influence of Commission outputs during the year — its inquiry, performance reporting, competitive neutrality work and supporting research — are discussed more fully in appendix C.

Associated reporting

Management and accountability information for 2009-10 is reported in appendix B. The audited financial statements for the Commission are contained in appendix G.

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

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

- *Trade & Assistance Review 2009-10*, which reports on trade policy and assistance developments and contains the Commission's latest estimates of assistance to Australian industry.