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# Five year Productivity Review

First, I'd like to acknowledge the traditional owners of the land on which we meet today, and honour their elders past and present.

The PC has a strong interest in indigenous policy via the Overcoming Indigenous Disadvantage and Indigenous Expenditure reports – but is well aware that these are not evaluations of what works; and continues a campaign to encourage a focus by governments on evaluation rather than reportage; and response to that.

When the Treasurer asked us to undertake this Inquiry, there was an exchange of a kind with him that has not occurred previously in my time as Chairman, nor prior to that in all likelihood.

The Treasurer wanted to discuss in detail the design of the brief that was given to us, before we received it, with the core aim of ensuring that this Inquiry allowed us the maximum opportunity to gather new ideas, and place them in a context that Australia governments, acting together but led by the Commonwealth, could re-create the circumstances that would surely improve the economy's ability to generate sustainable growth in national income. Most of you will know that the recent history and outlook for national income growth is, at best, unimpressive.

The transition from the resources boom was certainly one motivator for this task. But a broader question - how to apply and sustain the case for effective change in today's public policy environment – is also inherent.

Thus today we meet in a new kind of process for this organisation, to open a discussion on what these ideas might be; and how to frame them in a way that can convince Australians that their past has been assured by conscious, persistent cross-governmental co-operation on improvements to the economic and social policies that define our markets and our public services; and that this was not a one-off, nor the product of fabled levels of bipartisanship, but instead the product of good advice and serious leadership in a time of need.

And can be done again.

The focus in the Terms of Reference on productivity is a necessary but by no means sufficient step in that task.

Productivity, even in polite company, often gets a bad name. Yet it isn't now nor has it ever been a measure of national capability or worker behaviour.

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It has also suffered in recent times the same fate as the term micro-economic reform suffered in its time – a label as often as not misapplied as a means to proclaim the innate worthiness of any policy idea or notion, regardless of whether that claim is justifiable.

So it is important in this process to refine what productivity improvement means. For us, this process will have a clear end in mind: improvements with the capacity to enhance national income growth. Prosperity, if you like.

This is not growth for growth's sake, nor is to ignore wider national objectives such as quality of life. It is, rather, simply the right standard to use to demonstrate as objectively as information allows what the scope of gains may be from such changes; at what cost; and who are the likely beneficiaries.

We will not, in any case, ignore the hard-to-count benefits of new policies, such as those that occur in many government-supplied services like health and education — the gains here are another form of prosperity.

And with that analysis done, leadership must then take over – to judge the advice that we give and place it in a wider context, such as vital issues around quality of life; and how gains may be distributed.

But it cannot do this effectively without a strong foundation of advice on where lie the greatest opportunities for positive change. That is a task for us, and for those who chose to contribute to the Inquiry.

Today, we will not produce fully formed solutions; nor can we with absolute confidence even frame all the problems they are meant to solve. Thus this will be an iterative process of analysis and exchange and, consistent with our normal practice, we are conducting it as far as we can in a public way. But it is a report to government, and so the product will be released by the Government at an appropriate time next year.

Ultimately, our aim is a practical agenda for *all* governments to together focus on opportunities for positive change, and on how to achieve them.

The Deputy Chair and I have, in the lead up to today's first public step in this process, sought discussions with all heads of Premiers and Chief Ministers' Departments about the participation mechanisms for States and Territories; and spoken to almost all now. We plan to make this a strongly inclusive process, as States and Territories certainly have their part to play.

I am not going to link today's discussion to any of the current issues with business investment or fiscal imbalance or GDP growth that may be popular at particular times in support of reform agendas.

Not because they are unimportant but because structural reform is a perpetual need, rather than a one-off response. Thus this Inquiry is to be repeated every five years.

Nevertheless, in case this leaves any room for doubt, there should be none: the Productivity Commission sees the opportunities that lie in structural reform to be *the*

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critical medium term (every five years, to put a time-frame on it - agenda for any government).