



Incoming Government Brief

8 May 2025

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Productivity Commission overview

The Productivity Commission (PC) is the Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Our work covers all sectors of the economy, with a view to better informing policy making to raise national productivity and living standards.

Our outcome objective 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 PC's strengths are its capacity for robust evidence-based analysis, including modelling to understand the costs and benefits of reform options, and developing practical short and long-run policy reform options. Its independence and experience in undertaking extensive and transparent consultation processes mean it is respected by jurisdictions and other stakeholders.

A key focus for the Government is improving Australia's productivity growth. The PC's strengths mean it is uniquely placed to advise the Government on how to deliver on its policy agenda across the economy. It will be well-placed to take on additional inquiries in the third quarter of 2025 and looks forward to discussing terms of reference that would further the Government's policy agenda.

Priorities for the coming weeks

The PC has a number of publications due for release in coming weeks (table 1). Advance material will be provided to the Treasurer and Treasury and, for some publications, other relevant departments and ministerial offices.

Table 1 – Publication schedule

Project	Product	Advance material dates	Public release date
National Competition Policy Analysis 2025	Call for submissions paper	Provided to the Treasurer and Treasury 1 day before release	9 May 2025
Five pillars of productivity inquiries	Release of shortlisted reform areas and targeted questionnaires for public consultation	Material provided to the Treasurer and Treasury on 7 May 2025	19 May 2025
Productivity before and after COVID	Research paper	Provided to government 5 working days before release	28 May 2025
AGCNCO Australia Post investigation	Addendum	Provided to the Treasurer and Treasury 5 working days before release Provided to affected parties 1 day before release	2 June 2025 (TBC)
Farm biodiversity tax arrangements	Research paper	Provided to government 5 working days before release.	Early June 2025 (TBC)
Report on Government Services	Mid-year update	Provided to relevant federal, state and territory governments 5 working days before release	10 June 2025

Project	Product	Advance material dates	Public release date
Mental Health and Suicide Prevention Agreement Review	Inquiry interim report	Provided to government 5 working days before release	24 June 2025 (TBC)
Quarterly productivity bulletin (June)	Productivity insights	Provided to government 3 working days before release	26 June 2025 (TBC)

The PC published its submission to the National Electricity Market inquiry on 6 May 2025 and in the coming weeks will publish a conference paper on Competitive Care that was presented by Stephen King at the Treasury's Competition Policy for the Modern Economy Conference in November 2024.

The PC has also prepared a paper setting out considerations for modern industry policy in the context of the implementation of the Government's Future Made in Australia (FMIA) program. This forthcoming paper could inform the development of processes such as the sector assessment guidelines under the National Interest Framework. The work builds on previous Treasury-led FMIA IDC engagement and provides a foundation for the PC to collaborate on implementing the legislated sector assessment process. The PC will ensure that this release is coordinated with any public consultation that Treasury has planned on program implementation.

Current work program

The PC organises its work within seven thematic streams: Aboriginal and Torres Strait Islander Policy and Reporting; Climate Change and Energy; Environment and Water; Productivity; Industry and Trade; Data and Digital; and Health and Ageing.

Through these streams, the PC conducts policy-relevant PC-initiated research where opportunities arise and maintains relationships with key sector stakeholders. We continue to enhance our communication and engagement capabilities to ensure contemporary, high-quality engagement with the community on work in progress and work outputs.

The PC has four broad components of work:

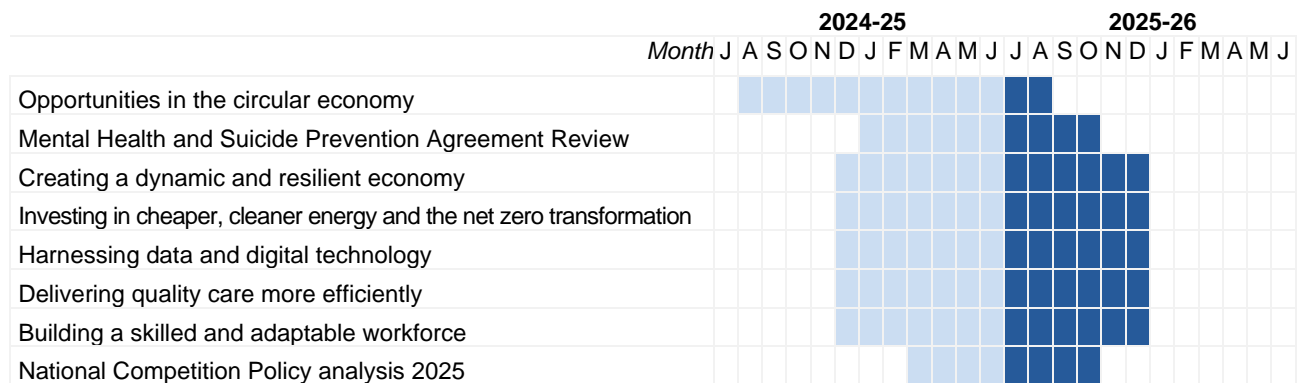
- government commissioned projects
- PC-initiated research
- performance reporting and other services to government bodies
- competitive neutrality complaints.

The PC has a full program of government commissioned projects and ongoing reporting work through to September 2025.

Government-commissioned work underway in 2025

We are currently undertaking eight commissioned inquiries and studies. The current commissioned projects and their associated timelines (figure 1) are:

- Opportunities in the circular economy
- Mental Health and Suicide Prevention Agreement Review
- Five pillars of productivity inquiries:
 - Creating a dynamic and resilient economy
 - Investing in cheaper, cleaner energy and the net zero transformation
 - Harnessing data and digital technology
 - Delivering quality care more efficiently
 - Building a skilled and adaptable workforce
- National Competition Policy analysis 2025.

Figure 1 – Program of public inquiries and other government commissioned projects^a

a. Shaded areas indicates the approximate duration of the project in the period covered by the figure, as at 5 May 2025.

Ongoing work in 2025

As well as these government commissioned projects, the PC's other required functions that continue to be an ongoing part of our work program include:

- The annual Report on Government Services
- Regular reporting on Australia's productivity performance
- Annual reporting on trade and industry assistance
- Development and maintenance of a publicly accessible dashboard and annual data compilation report for Closing the Gap
- Investigating and providing advice to the Treasurer on competitive neutrality complaints.

More detail on the PC's current work program is provided in attachment A.

Future work program

The PC expects to be commissioned with the following work at the appropriate time:

- Three-yearly review of progress on National Agreement on Closing the Gap (not yet commissioned but required for completion by January 2027)
- Review of Australia's system of horizontal fiscal equalisation (HFE) (not yet commissioned but required for completion by the PC by December 2026)
- Undertaking inquiries, on request of the Treasurer, to investigate potential safeguard actions for Australian industries
- Undertaking reviews of the Murray Darling Basin Plan and the National Water Initiative, as required under the *Water Act 2007*
- Reviewing the drought resilience funding plan under the *Future Drought Fund Act 2019*.

More detail on the PC's safeguarding and water functions are provided in attachment A.

Other work potentially on the PC's agenda

The PC notes that there have been recommendations for it to be commissioned to undertake the following two inquiries in 2025-2026:

- An inquiry on the determinants of regional airfares to identify opportunities to improve regional services, access to capital cities and reliability (not yet commissioned, but identified in the Aviation White Paper – Towards 2050).
- A review of the implementation of Automatic Mutual Recognition of occupational licensing (not yet commissioned, but identified in the 2020 intergovernmental agreement as required to be completed in 2025 by an independent body such as the PC).

- An inquiry by the PC on NDIS transport policy to better meet the mobility needs of NDIS participants was included in the 2023 NDIS review as part of its recommendation for increasing the scale and connections between mainstream services and the NDIS.

Additionally, under terms of reference from the Coalition of Australian Governments, the PC published an Indigenous Expenditure Report (IER) in 2010, 2012, 2014 and 2017. The future of the IER is awaiting consideration by Joint Council in the context of reporting under the National Agreement on Closing the Gap. At this stage, a further IER has not been scheduled. If a future IER were to be undertaken by the PC, we would welcome the opportunity to shift the focus of the IER away from an expenditure audit toward an assessment of the contribution of Aboriginal and Torres Strait Islander people to the economy (for example, flows of income, expenditure and contribution to GDP).

Recognising the PC's expertise in providing objective and robust policy analysis and advice, the PC is regularly requested by representatives of other governments – both within Australia and from overseas – to discuss and share understanding of current economic policy matters. There is considerable interest from other governments in the PC's approach to its inquiry, research and reporting functions, with a number of like-bodies having been established in other jurisdictions.

Our legislation and governance

The PC is an independent non-corporate Commonwealth entity established under the *Productivity Commission Act (1998)* and *Public Governance, Performance and Accountability Act (2013)*. The Productivity Commission Act establishes the functions, powers, structure and operations of the PC.

The PC also operates under a Statement of Expectations – issued to it by the Government in November 2023 – that sets out the Government's expectation of how the PC will take into account the Government's policy priorities, be responsive to changing economic environments, interact with other agencies, stakeholders and governments, and strengthen PC organisational capabilities, cultures and governance.

Commissioners and staff

The PC comprises its Chair and between four and twelve other Commissioners, appointed by the Governor General for periods of up to five years. Associate Commissioners can be appointed by the Treasurer to bring additional expertise for specific inquiries. Currently, the PC has a Chair, Deputy Chair and nine other Commissioners (table 2).

Table 2 – Chair and Commissioners, May 2025

	Location	Period of appointment	
		From	To
Ms Danielle Wood (Chair)	Melbourne	13 Nov 2023	12 Nov 2028
Prof Alex Robson (Deputy Chair)	Brisbane	21 Mar 2022	20 Mar 2027
Ms Julie Abramson (p/t)	Melbourne	10 Dec 2015	9 Dec 2025
Mr Selwyn Button (Indigenous Policy Commissioner)	Brisbane	25 Jun 2024	24 Jun 2029
Ms Joanne Chong (Environment Commissioner)	Adelaide	21 Mar 2022	20 Mar 2027
Dr Catherine de Fontenay	Melbourne	1 Jul 2019	30 Jun 2029
Dr Angela Jackson (Social Policy Commissioner)	Melbourne	28 Apr 2025	27 April 2030
Dr Stephen King (p/t)	Melbourne	1 Jul 2016	31 Dec 2026
Dr Alison Roberts (Industry Commissioner)	Melbourne	25 Jun 2024	24 Jun 2029

	Location	Period of appointment	
		From	To
Mr Barry Sterland	Melbourne	25 Jun 2024	24 Jun 2029
Mr Martin Stokie	Melbourne	21 Mar 2022	20 Mar 2027

Funding and staffing

The PC's appropriation for 2024-25 was \$38.9 million and is expected to increase to \$39.3 million in 2025-26. The average staffing level for the PC in 2024-25 is 187 (excluding Commissioners) and is expected to remain relatively constant for 2025-26.

About 35-40% of PC staff have economics qualifications, with others typically having training in law, statistics, data science, social and environmental policy areas, and/or political science. The PC staff are primarily located in the PC's Melbourne and Canberra offices.

Attachment A – PC work program

Commissioned inquiries and studies

Opportunities in the circular economy

The PC is examining opportunities in the circular economy to lift Australia's materials productivity. In our interim report, delivered to government on 26 February 2025 and published on 5 March 2025, we identified priority opportunities in six sectors (the built environment, food and agriculture, textiles and clothing, mining, vehicles, electronics), as well as cross-cutting policy issues.

Feedback on the interim report was welcomed via a second round of public submissions (which closed on 11 April) and consultations. We have heard from businesses and industry groups across all priority sectors, as well as various levels of government (Commonwealth, state, territory and local), regulators, academics and circular economy groups. The final report is due to government in August 2025.

Mental Health and Suicide Prevention Agreement Review

Recognising mental health is a key component of overall health and wellbeing, and its broader impacts on social and economic participation, the PC is reviewing the National Mental Health and Suicide Prevention Agreement. The review is assessing the impact of programs delivered under the Agreement and make recommendations for the Agreement that aim to enhance the effectiveness, accessibility, affordability and safety of the mental health and suicide prevention system.

On 11 February 2025, the PC called for public submissions and launched a survey for participants. Over February, March and April, the PC undertook extensive consultation across all jurisdictions. Future consultation will include public hearings later in 2025 and a mix of online and face-to-face meetings. The PC expects to release an interim report on 24 June 2025 (TBC) and a final report in October 2025.

Five pillars of productivity inquiries

On 12 December 2024, the PC commenced work on five commissioned inquiries to identify and report on the highest priority reforms for productivity. The PC views these inquiries as an important opportunity to inform the Government's productivity agenda under the following five pillars:

- Creating a dynamic and resilient economy
- Building a skilled and adaptable workforce
- Harnessing data and digital technology
- Delivering quality care more efficiently
- Investing in cheaper, cleaner energy and the net zero transformation

For each of these five pillars, the PC is focusing on delivering implementable and practical policy advice that has the potential to materially boost Australia's productivity growth. Where possible we will quantify the benefits of the reforms to help build the case for change.

The PC's consideration of practical and implementable productivity-enhancing reforms is being informed by the over 500 ideas we received through *Australia's Productivity Pitch* and through consultations with industry groups, advocacy groups, peak bodies, consumer groups, unions, academia and government agencies. A selection of ideas submitted through the productivity pitch were published in a What you told us paper released in February 2025.

On 19 May 2025, the PC will release shortlisted reforms along with targeted questionnaires for public consultation, with materials provided to the Treasurer and Treasury on 7 May 2025. Feedback from the questionnaires will be used to inform the interim reports, which will be released from late July to early August. The final report is due to government on 12 December 2025.

Below are the priority reforms shortlisted by the PC, which will be released on 19 May 2025, and will be the focus of the five productivity inquiries for the remainder of the year.

- **Creating a dynamic and resilient economy**
 - Support business investment through corporate tax reform
 - Reduce the impact of regulation on business dynamism
- **Building a skilled and adaptable workforce**
 - Improve school student outcomes with the best available tools and resources
 - Support the workforce through a flexible post-secondary education and training sector
 - Balance service availability and quality through fit-for-purpose occupational entry regulations
- **Harnessing data and digital technology**
 - Support safe data access and handling through an outcomes-based approach to privacy
 - Unlock the benefits of consumer data through effective access rights and controls
 - Enhance reporting efficiency, transparency and accuracy through digital financial reporting
 - Enable AI's productivity potential
- **Delivering quality care more efficiently**
 - Reform of quality and safety regulation to support a more cohesive care economy
 - Embed collaborative commissioning to increase the integration of care services
 - A national framework to support government investment in prevention
- **Investing in cheaper, cleaner energy and the net zero transformation**
 - Reduce the cost of meeting carbon targets
 - Speed up approvals for new energy infrastructure
 - Encourage adaptation by addressing barriers to private investment

National Competition Policy analysis 2025

On 27 March 2025, the PC received a request for advice for analysis and modelling to support continued progress on reforms as part of a revitalised National Competition Policy. The PC have been asked to look at an occupational licensing scheme for electrical trades and other high-risk occupations that provides for labour mobility nationally, adopting overseas standards and harmonising regulated standards across Australia, and any other reform options identified as a priority during the study.

A call for submissions paper will be released on 9 May 2025. The PC will provide an interim report, including initial modelling outcomes, to the Government by 31 July 2025 and a final report by 31 October 2025.

Closing the Gap functions

The National Agreement on Closing the Gap (the National Agreement) – an agreement between the Coalition of Aboriginal and Torres Strait Islander Peak Organisations and all Australian governments – assigns reporting functions to the PC to help improve transparency and accountability of governments to the Agreement. The objective of the National Agreement is 'to overcome the entrenched inequality faced by too many Aboriginal and Torres Strait Islander people so that their life outcomes are equal to all Australians'.

The Parties to the Agreement agreed that the PC will undertake a comprehensive review of progress every three years. The review is to inform the ongoing implementation of the National Agreement by highlighting areas of improvement and emphasising where additional effort is required to close the gap.

The PC's first review of progress on the National Agreement was handed to the Joint Council on Closing the Gap on 24 January 2024 and publicly released on 7 February 2024. The key message of this report is that fundamental changes are required to deliver on the National Agreement. Planning for the second review has started.

Under the National Agreement, the PC is also responsible for maintaining an information repository to inform reporting on progress. As part of this role, it publishes:

- a 'dashboard' that provides the most up-to-date information available on the targets and indicators in the National Agreement
- an Annual Data Compilation Report that provides a point-in-time snapshot of the Dashboard material. The fifth Annual Data Compilation Report will be published in July 2025.

The PC's next review of the National Agreement is required by January 2027 and will be a significant focus of the PC's operations in 2026. The PC is building a multi-disciplinary team over the course of 2025 in preparation for this package of work. Early discussions on the draft terms of reference for the next review have commenced between NIAA, Treasury and PM&C.

In between review periods, the Aboriginal and Torres Strait Islander Policy team launched a PC-initiated research project focussing on government transformation under Priority Reform 3 of the National Agreement. Through this ongoing research, the team will release practical case studies, interviews and guidance to support public servants in implementing the PC's recommendations from its first review. The first set of case studies will launch in September.

Report on Government Services and Performance Reporting Dashboard

The PC produces the annual Report on Government Services (the RoGS) on behalf of the Steering Committee for the Review of Government Service Provision. The RoGS compares the relative performance of state and territory governments in the delivery of essential social services (education, justice, emergency management, health, housing and community services).

Now in its thirtieth year, the RoGS continues to contribute to the wellbeing of all Australians by encouraging improvements in these services. This is especially important in the absence of market competition and when alternative services cannot be readily sourced (e.g., where alternatives are cost prohibitive or geographically inaccessible for Australians living in regional and remote areas).

A recent external review of the RoGS – endorsed in full by the Council on Federal Financial Relations (CFFR) – reaffirmed the integral role of the RoGS in the national performance reporting system. The PC is now leading a program of work to implement recommendations arising from this review, which will re-energise Commonwealth, state and territory participation in the production of the RoGS, establish a new national agreement 'Performance reporting dashboard', and demonstrate governments' ongoing commitment to informing Australians about the effectiveness and efficiency of the services they deliver.

Other PC functions and products

Productivity Bulletin

The PC's Productivity Bulletin unpacks the latest Australian Bureau of Statistics (ABS) productivity statistics and examines trends and new developments underlying Australia's productivity performance. The bulletin seeks to demystify the measurement and interpretation of productivity statistics, which can be easily misunderstood. The Productivity Bulletin is released quarterly, with an annual bulletin released in February.

Trade and Assistance Review

The PC reports annually in the Trade and Assistance Review (TAR) on the level of assistance to industries provided through trade measures, industry programs and regulatory arrangements. Annual reporting on industry assistance is explicitly required under the *Productivity Commission Act 1998* (Cth).

The TAR publishes estimates of selective assistance provided to industry. The types of assistance may change over time, depending on the tools government uses to achieve its objectives and the data available to report on different types of assistance. The TAR also breaks down estimated budgetary assistance by different types of spending, and different benefiting industries, and illustrates how budgetary assistance has changed over time. Doing so sheds light on Australian Government priorities and policy settings. The TAR has helped inform discussions about the benefits and costs of programs or measures, and the role of government assistance more generally. The next TAR is due to be released in July 2025.

Competitive neutrality investigations and reporting

The PC provides investigative and advice functions for anyone with concerns about competing with Australian Government agencies. An autonomous office located within the PC, the Australian Government Competitive Neutrality Complaints Office (the Office), receives and investigates complaints and advises the Treasurer on the application of competitive neutrality arrangements. The Office also provides informal advice with, and assists agencies in, implementing competitive neutrality requirements.

The primary complaint under investigation over the past 12 months was against Australia Post, lodged by the Conference of Asia Pacific Express Carriers (CAPEC) – an industry association representing DHL, FedEx and UPS. CAPEC lodged the complaint in February 2022. The final investigation report was released in October 2024 and concluded that Australia Post experiences both advantages and disadvantages due to government ownership that should be addressed by the government. The report also recommended that government inquire further into the potential regulatory advantages enjoyed by Australia Post. CAPEC requested that the PC review its finding that Australia Post is earning a commercial rate of return. The PC has sought further information on this issue from Australia Post and relevant government departments and will release an Addendum in June 2025.

Responding to findings is a matter for the Australian Government, for example, the government has not to date responded publicly the reports concerning NBN Co and Australia Post.

Safeguard action investigations

The PC is Australia's authorised body to undertake inquiries and investigate potential safeguard procedures for Australian industries. Safeguard action is temporary action that may be taken where a surge of imports causes or threatens to cause serious injury to a domestic industry. Under Australia's agreement with the World Trade Organisation, Australia can only impose safeguard actions (other than on an interim basis) after a full inquiry by the PC.

The PC can only undertake a safeguard action inquiry if formally requested to do so by the Treasurer. The last safeguard action inquiries requested by a Treasurer were in 2013.

Water and drought policy reviews

The PC has ongoing functions in water policy which are set out in legislation (the *Water Act 2007* and the *Future Drought Fund Act 2019*). The PC completed two water-related projects in 2023 and one in 2024.

- An inquiry into the effectiveness of the Drought Resilience Funding Plan (a requirement of the *Future Drought Fund Act 2019*) was handed to the Australian Government on 8 September 2023 and publicly released on 26 September 2023.

- An inquiry into the effectiveness of the implementation of the Murray–Darling Basin Plan, which is required every five years, was handed to the Australian Government on 19 December 2023 and publicly released on 26 February 2024.
- An assessment of progress towards achieving the objectives and outcomes of the National Water Initiative, which is required every three years, was handed to the Australian Government on 28 May 2024 and publicly released on 27 June 2024.

Although legislation sets some requirements on the timing of the PC water reviews, there can be strategic reasons to seek a flexible approach to meeting those obligations, to ensure that the reviews are sequenced in an optimal way.

PC-initiated research

Productivity before and after COVID

This research examines the rapid rise, and subsequent rapid decline, in labour productivity over the COVID-19 pandemic. It finds that the productivity bubble can be divided into three phases: a ‘reallocation’ phase, a ‘productivity gain’ phase and a ‘productivity loss’ phase. The research concludes that there are no obvious long-term implications arising from Australia’s productivity performance during the pandemic, emphasising the need to address Australia’s long-run productivity malaise. The PC will release the research paper on 28 May 2025.

Farm biodiversity tax arrangements

This research looks at how tax arrangements might affect farmers’ decisions about entering into conservation covenants to permanently protect biodiversity on their land. A hypothetical example is used to illustrate the relevant issues. The work indicates that Commonwealth tax arrangements for farm activity are complex, and the potential value of concessions for a farmer contemplating a covenant is uncertain. The paper analyses how that complexity and uncertainty may influence the effectiveness of the concessions as an incentive for primary producers to protect biodiversity on their land through conservation covenants. The PC plans to release the research paper in early June 2025.