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Commonwealth of Australia 2014

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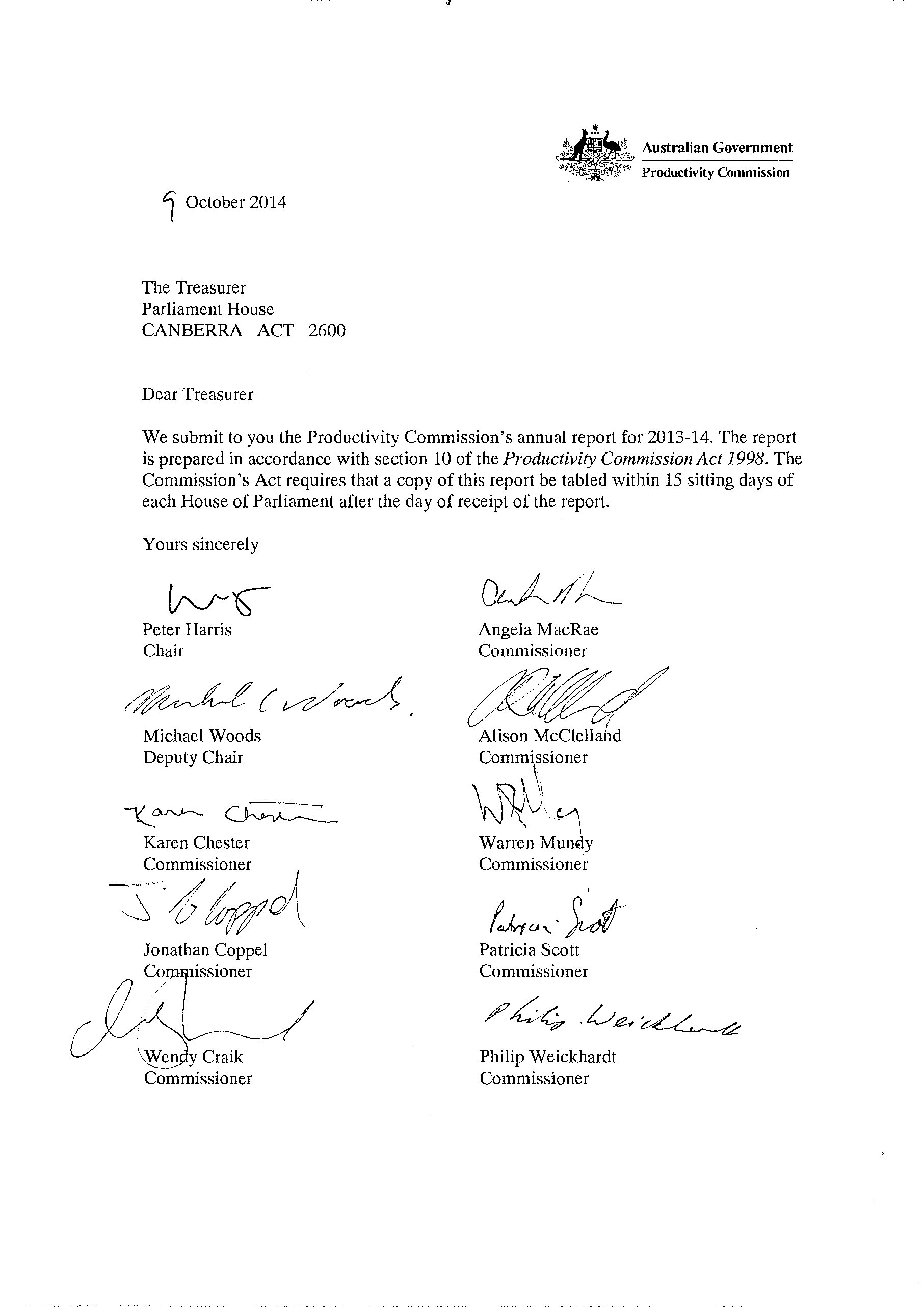
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| The Productivity Commission |
| The Productivity Commission is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.  The Commission’s independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.  Further information on the Productivity Commission can be obtained from the Commission’s website ([www.pc.gov.au](http://www.pc.gov.au/)). |
|  |



### Chairman and Commissioners

Jonathan Coppel, Angela MacRae & Warren Mundy Philip Weickhardt



Karen Chester, Peter Harris (Chairman) & Patricia Scott

Alison McCelland Mike Woods (Deputy Chairman) & Wendy Craik

# Acknowledgments

The Commission wishes to thank its staff for their continued efforts, commitment and support during the past year.

# Foreword

2013-14 has been an unusual year.

In an intense period between October and May, inquiries were commenced and completed into:

* Infrastructure Costs and Finance;
* Motor Vehicles; and
* Tasmanian Shipping and Freight.

In the same period, studies and inquiries referred to us by the previous Government were completed into:

* SPC Ardmona’s call for emergency tariff assistance;
* Labour Mobility;
* the Access Regime in the Competition and Consumer Act;
* Major Project Assessments; and
* Regulator Engagement with Small Business.

And we released our first flagship research paper, on An Ageing Australia.

Moreover, two major inquiries continued throughout that period:

* Access to Justice; and
* Early Education and Child Care.

And another commenced (on National Disaster Funding Arrangements).

At the same time, the Commission reduced its staff level by around 10 per cent and reduced its expenditure on a range of administrative costs and sponsorship of economic forums.

However, the rate of new work being referred to us has decreased since May. We are consequently now making new research tasks the order of the day. The 2014 flagship research project on public housing policy will accordingly be supplemented by additional similar projects, with publication dates in the first quarter of 2015, in order that we continue to develop and publish significant public policy input work.

There can be a perception, due to their high profile, that traditional areas of operation – tariff reform, policies that affect markets and assistance to industry – remain dominant. However, micro economic policy has generally been more soundly-based in the past two decades than in preceding periods, slowly reducing the scope for what may be seen as our traditional work areas.

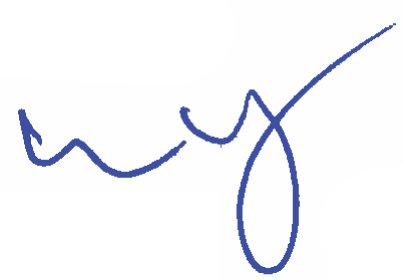
While the claims of firms seeking special assistance will always require continuous scrutiny - and examples have arisen again this year – they are unlikely to be the main game in the future for an organisation with ability to design detailed and effective policy responses to broader social and economic needs.

It is our hope that the Government will increasingly choose to call on the Commission for advice on social reform; and in the services sectors. The Commission has produced work that the Government has chosen to adopt as a basis for the development of significant social policy initiatives.

Many services – private and public – are provided where markets are not easily discerned or are weakened by poor incentives for efficiency and government purchasing arrangements.

These areas have been at the forefront of some of our most prominent recent work; and the need for good analysis is likely to grow as governments (State, as well as Federal) come under more pressure to improve both the quality but also the efficient targeting of health, education and training, aged care, wealth management, transport and housing.

The Commission is ready and able to provide this analysis.



Peter Harris

Chair

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# Abbreviations

ABS Australian Bureau of Statistics

ACCC Australian Competition and Consumer Commission

ACCI Australian Chamber of Commerce and Industry

AGCNCO Australian Government Competitive Neutrality Complaints Office

AIHW Australian Institute of Health and Welfare

ALGA Australian Local Government Association

ANAO Australian National Audit Office

ANU Australian National University

ANZSIC Australian and New Zealand Standard Industrial Classification

ANZSOG Australia and New Zealand School of Government

APEC Asia-Pacific Economic Cooperation

APRA Australian Prudential Regulation Authority

APS Australian Public Service

BRCWG Business Regulation and Competition Working Group (COAG)

CEDA Committee for Economic Development of Australia

COAG Council of Australian Governments

CRC COAG Reform Council

EFIC Export Finance and Investment Corporation

GDP Gross Domestic Product

GTAP Global Trade Analysis Project

GTEs Government trading enterprises

HILDA Household, Income and Labour Dynamics

IAC Industries Assistance Commission

IC Industry Commission

ICTs Information and communication technologies

IMF International Monetary Fund

LP labour productivity

MFP multifactor productivity

NATSEM National Centre for Social and Economic Modelling

NBN National Broadband Network

NCP National Competition Policy

NRA National Reform Agenda

OECD Organisation for Economic Cooperation and Development

OHS Occupation health and safety

OID Overcoming Indigenous Disadvantage report

PBS Pharmaceutical Benefits scheme

PC Productivity Commission

RBA Reserve Bank of Australia

R&D Research and development

ROGS Report on Government Services

SES Senior Executive Service

TCF Textiles, clothing and footwear