

Annual Report 2009-10

Productivity Commission Annual Report Series



#### © Commonwealth of Australia 2010

**ISSN** 1035-5243

**ISBN** 978-1-74037-328-9

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, the work may be reproduced in whole or in part for study or training purposes, subject to the inclusion of an acknowledgment of the source. Reproduction for commercial use or sale requires prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney-General's Department, National Circuit, Canberra ACT 2600 or posted at www.ag.gov.au/cca.

This publication is available in hard copy or PDF format from the Productivity Commission website at www.pc.gov.au. If you require part or all of this publication in a different format, please contact Media and Publications (see below).

#### **Publications Inquiries:**

Media and Publications
Productivity Commission
Locked Bag 2 Collins Street East
Melbourne VIC 8003

Tel: (03) 9653 2244 Fax: (03) 9653 2303 Email: maps@pc.gov.au

#### **General Inquiries:**

Tel: (03) 9653 2100 or (02) 6240 3200

#### An appropriate citation for this paper is:

Productivity Commission 2010, *Annual Report 2009-10*, Annual Report Series, Productivity Commission, Canberra

JEL code: D

#### 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) or by contacting Media and Publications on (03) 9653 2244 or email: maps@pc.gov.au



14 October 2010

The Assistant Treasurer Parliament House CANBERRA ACT 2600

#### Dear Assistant Treasurer

We submit to you the Productivity Commission's annual report for 2009-10. The report is prepared in accordance with section 10 of the *Productivity Commission Act 1998*. The Commission's Act requires that a copy of this report be tabled within 15 sitting days of each House of Parliament after the day of receipt of the report.

Yours sincerely

Gary Banks Chairman

Michael Woods Deputy Chairman

Mobil (Now).

Wendy Craik Commissioner

Robert Fitzgerald Commissioner

David Kalisch Commissioner Angela MacRae Commissioner

Patricia Scott Commissioner

Patricia Scate

Louise Sylvan Commissioner

Philip Weickhardt Commissioner

PlWadler

### **Chairman and Commissioners**



Louise Sylvan, Gary Banks (Chairman) & Robert Fitzgerald



Angela MacRae & Patricia Scott



David Kalisch & Philip Weickhardt



Mike Woods (Deputy Chairman) & Wendy Craik

Absent: Siobhan McKenna

## Acknowledgments

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

# Contents

Ab	Abbreviations	
СН	IAPTERS	
1	Good public policy — why evidence and process matter	1
	Evidence and process — the two pillars	1
	Meeting Australia's data needs	10
	An evidence-based approach requires resources	15
	Institutional support for better analysis	21
	Further progress	25
2	Review of Commission activities and performance	27
	Overview	28
	Year in review	31
	Transparency and public consultation	38
	Feedback on the Commission's work	44
	Policy and wider impacts	47
	Associated reporting	52
AP	PENDICES	
A	Recent developments in Australia's productivity	55
В	Management and accountability	75
C	Program performance	109
D	Government commissioned projects	173
E	Supporting research and related activities	205
F	Publications	223
G	Financial Statements	229

CONTENTS

VII

Atta	achments	
<b>B</b> 1	Commissioner and employee statistics	95
<b>B2</b>	Agency Resources Statement — 2009-10	98
В3	Fraud control certificate	99
B4	Commonwealth Disability Strategy: outcomes agaist performance indicators	100
<b>B5</b>	Consultancies	103
<b>B6</b>	Freedom of Information Statement	104
<b>B7</b>	Compliance Index	107
Ref	erences	275
BO	XES	
1.1	Good evidence and process: 'reform-era' successes	5
1.2	Accessing performance data on hospitals	7
1.3	Improving the evidence base for the 'not-for-profit sector'	14
1.4	Better health outcomes through general analysis	18
1.5	Using evidence to tackle complex social policy reforms	20
1.6	International approaches to support good analysis	22
1.7	Human capital reform — its significance and complexity	24
2.1	Commission publications in 2009-10	29
2.2	Participative and transparent processes: two examples	40
2.3	Support for Commission activities: some recent examples	46
A.1	Labour productivity versus multifactor productivity	56
C.1	Performance indicators for the Commission	114
C.2	The longer-term influence of Commission reports	115
C.3	Supporting research and annual reporting publications, 2009-10	167
C.4	Supporting research projects underway at 30 June 2010	168
FIG	GURES	
2.1	References on hand	31
2.2	Website hits	44

2.3	Mentions of the Commission in Australian parliaments, 2006-07 to 2009-10	50
A.1	Contributions to income growth — the importance of MFP	57
A.2	Market sector MFP index and growth rates across productivity cycles, 1973-74 to 2008-09	59
A.3	Value added, capital and labour input components of MFP growth in Mining, by productivity cycle	63
A.4	Mining MFP level with and without depletion and capital lag effects, 1974-75 to 2006-07	65
A.5	Value added, capital and labour input components of MFP growth in Agriculture, forestry & fishing, by productivity cycle	66
A.6	Value added, capital and labour input components of MFP growth in EGW&WS, by productivity cycle	67
A.7	Market sector MFP, and the impact of poorer performing sectors, productivity cycles, 1973-74 to 2008-09	68
B.1	Productivity Commission structure and senior staff, 30 June 2010	76
C.1	Productivity Commission main activities 2009-10	110
C.2	Comparability of indicators	153
ГАВІ	LES	
1.1	The COAG Reform Agenda: a snapshot	3
<b>A</b> .1	Growth in MFP by industry and productivity cycle	60
A.2	Growth in MFP by industry and its components, 2008-09	70
A.3	LP growth and related variables, expanded market sector, 2008-09 and 2009-10	72
B.1	Financial and staffing resources summary	79
B.2	Performance bonuses paid for 2009-10	86
B.3	Expenditure on consultancies, 2005-06 to 2009-10	90
B1.1	Chairman and Commissioners, 30 June 2010	95
B1.2	Part-time Associate Commissioners, 30 June 2010	95
B1.3	Part-time Associate Commissioners completing appointments during 2009-10	96
B1.4	Employees by location and gender, 30 June 2010	96

CONTENTS IX

B1.5	Employees by employment status and gender, 30 June 2010	97
B1.6	Employees by level and reason for separation, 2009-10	97
C.1	Use of Commission publications in parliamentary committee reports in 2009-10	118
C.2	Parliamentary Library use of Commission publications in 2009-10	121
C.3	Program of public inquiries and other government-commissioned projects	131
C.4	Public inquiry and other commissioned project activity, 2005-06 to 2009-10	132
C.5	Cost of public inquiries and other commissioned projects completed in 2009-10	133
C.6	Direct administrative expenditure on public inquiries and other government-commissioned projects, 2005-06 to 2009-10	133
C.7	Impact of Commission inquiry reports on policy making	142
C.8	Comparability of indicators, 2010 Report on Government Services	156
C.9	Formal competitive neutrality complaints, 2005-06 to 2009-10	163
D.1	Stage of completion of commissioned projects and government responses to Commission reports	174
E.1	Speeches and presentations by the Chairman, Commissioners and staff, 2009-10	213
E.2	International delegations and visitors, 2009-10	220

## **Abbreviations**

ABS Australian Bureau of Statistics

ACCC Australian Competition and Consumer Commission

AGCNCO Australian Government Competitive Neutrality Complaints Office

AIHW Australian Institute of Health and Welfare

ANAO Australian National Audit Office

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)

CAGP China Australia Governance Program

COAG Council of Australian Governments

CPRS Carbon Pollution Reduction Scheme

CRC COAG Reform Council

EGW&WS Electricity, gas, water and waste services

GDP Gross Domestic Product

GTAP Global Trade Analysis Project

GTEs Government trading enterprises

ICTs Information and communication technologies

IMF International Monetary Fund

LP labour productivity

MFP multifactor productivity

NAPLAN National Assessment Program for Literacy and Numeracy

NATSEM National Centre for Social and Economic Modelling

NBN National Broadband Network

NCP National Competition Policy

NRA National Reform Agenda

OECD Organisation of Economic Cooperation and Development

OHS Occupation health and safety

OID Overcoming Indigenous Disadvantage report

PC Productivity Commission

PTA Preferential Trade Agreement

R&D Research and development

ROGS Report on Government Services

SEACI South Eastern Australian Climate Initiative

SES Senior Executive Service

WTO World Trade Organization