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Productivity Commission

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Publications enquiries

Media and Publications, phone: (03) 9653 2244 or email: maps@pc.gov.au

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).



9 October 2014

The Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

We submit to you the Productivity Commission's annual report for 2013-14. 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

Peter Harris
Chair

Angela MacRae
Commissioner

Michael Woods
Deputy Chair

Alison McClelland
Commissioner

Karen Chester
Commissioner

Warren Mundy
Commissioner

Jonathan Coppel
Commissioner

Patricia Scott
Commissioner

Wendy Craik
Commissioner

Philip Weickhardt
Commissioner

Chairman and Commissioners



Jonathan Coppel, Angela MacRae & Warren Mundy



Philip Weickhardt



Karen Chester, Peter Harris (Chairman) & Patricia Scott



Alison McClland



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