
E Government commissioned projects

A broad indicator of the quality and impact of the Commission's work is provided by the nature and breadth of the public inquiries and research studies which it is requested by governments to undertake. The acceptance rate of the Commission's findings and recommendations provides a further broad indicator of quality and impact.

This appendix updates information provided in previous annual reports on public inquiries and other projects specifically commissioned by the Government. It includes summaries of terms of reference for new inquiries and projects, and the principal findings and recommendations from reports which have been released, together with government responses to those reports.

The Productivity Commission is required to report annually on the matters referred to it. This appendix provides a summary of projects which the Government commissioned during the year and government responses to reports completed in 2010-11 and previous years. It also reports on commissioned projects received since 30 June 2011.

This appendix is structured as follows:

- terms of reference for new government-commissioned inquiries and studies
- reports released and, where available, government responses to them
- government responses to reports from previous years.

Table E.1 summarises activity since the Commission's 2009-10 annual report and indicates where relevant information can be found.

Table E.1 Stage of completion of commissioned projects and government responses to Commission reports

<i>Date received</i>	<i>Title</i>	<i>For terms of reference see</i>	<i>Stage of completion</i>	<i>Major findings/ recommendations</i>	<i>Government response</i>
Inquiries					
23-3-09	Australia's Anti-dumping and Countervailing System	AR 08-09	Report completed 18 December 2009	AR 09-10	page 205
29-9-09	Wheat Export Marketing Arrangements	AR 08-09	Report completed 1 July 2010	page 190	page 191
15-2-10	Rural Research and Development Corporations	AR 09-10	Report completed 10 February 2011	page 191	page 193
17-2-10	Disability Care and Support	AR 09-10	Report completed 31 July 2011	page 194	page 197
27-4-10	Caring for Older Australians	AR 09-10	Report completed 28 June 2011	page 193	na
19-7-10	Australia's Urban Water Sector	AR 09-10	in progress	na	na
15-12-10	Economic Regulation of Airport Services	page 183	in progress	na	na
3-2-11	Economic Structure and Performance of the Australian Retail Industry	page 185	in progress	na	na
1-9-11	Australia's Export Credit Arrangements	page 188	in progress	na	na
20-9-11	Climate Change Adaptation	page 189	in progress	na	na
Other commissioned projects					
28-2-07*	Annual Review of Regulatory Burdens on Business – Business and Consumer Services	AR 06-07*	Report completed 31 August 2010	AR 09-10	page 205
10-4-08	Review of the Regulatory Burden on the Upstream Petroleum (Oil and Gas) Sector	AR 07-08	Report completed 9-4-09	AR 08-09	page 204
27-11-09	Bilateral and Regional Trade Agreements	AR 09-10	Report completed 27 November 2010	page 197	page 199
12-4-10	Performance Benchmarking of Australian Business Regulation: Planning and Zoning and Land Development Assessments	AR 09-10	Report completed 29 April 2011	page 199	na

22-4-10	Education and Training Workforce: Vocational education and training (VET)	AR 09-10	Report completed 21 April 2011	page 200	na
16-6-10	Impacts and Benefits of COAG Reforms: Framework Report	AR 09-10	Report completed 23 December 2010	page 202	na
1-10-10 (rcvd 22-4-10*)	Education and Training Workforce: Early Childhood Development	page 182	in progress	na	na
15-11-10	Emission Reduction Policies and Carbon Prices in Key Economies	page 203	Report completed 31 May 2011	page 203	na
18-4-11 (rcvd 22-4-10**)	Education and Training Workforce: Schools	page 185	in progress	na	na
24-5-11	Annual Review of Regulatory Burdens on Business: Identifying and Evaluating Regulation Reforms	page 186	in progress	na	na
4-7-11	Performance Benchmarking of Australian Business Regulation: Role of Local Government	page 187	in progress	na	na
22-8-11	Impacts and Benefits of COAG Reforms: Letter of direction	page 188	in progress	na	na

Note: References are to previous annual reports (AR) of the Productivity Commission. *Terms of reference for this project were included in those announced for the Annual Review of Regulatory Burdens on Business — Primary Sector on 28 February 2007. **Terms of reference for this project were included in those announced for the Education and Training Workforce: Vocational education and training (VET) study on 22 April 2010. **na** not applicable.

Terms of reference for new projects

This section outlines the terms of reference for commissioned projects received since the Commission's annual report for 2009-10, which are in progress or for which the report has not yet been released. Full terms of reference are available on the Commission's website and in the relevant reports.

Education and Training Workforce: Early Childhood Development

On 22 April 2010, the Assistant Treasurer asked the Commission to undertake a research study to examine issues impacting on the workforces in the vocational education and training, early childhood development and schools sectors. The Commission commenced the second of these studies, on the workforce in the early childhood development sector, on 1 October 2010.

In relation to the ECD workforce, the Commission is asked to specifically consider and give advice on:

- Factors affecting the current and future demand and supply for the ECD workforce, and the required mix of skills and knowledge, including:
 - delivery of fully integrated ECD services including maternal and child health, childcare, preschool, family support services and services for those with additional needs
 - market requirements for broader leadership, management and administrative skills in operating both mainstream universal service providers and integrated service hubs
 - the availability and quality of pre-service education programs, including through undergraduate and postgraduate education and VET, and consideration of training pathways
 - ECD workforce participation, including ease of access to the early childhood development workforce in different sectors and net returns to individuals and recognition of expertise
 - the quality and skills of the workforce, job design and workplace practices and arrangements and their contribution to achieving COAG outcomes and setting future direction.
- Workforce planning, development and structure in the short, medium and long term, covering:
 - career pathways, the structure of existing employment arrangements and practices and the extent to which they are disincentives to attracting and

retaining employees, including pay and conditions across settings; strategies to address possible pay equity issues as necessary; options for funding pay increases as necessary; and the implications for purchasers of ECD services and all levels of government and funding responsibilities

- potential labour market failures
- the impact of government, community and private provision
- the concept and workforce implications of integrated service delivery.

The final report is to be released within 12 months of commencing the study.

Economic Regulation of Airport Services

On 15 December 2010 the Assistant Treasurer asked the Commission to conduct an inquiry into the current economic regulation arrangements for airport services. A final report is to be produced within twelve months of receipt of the reference.

In undertaking the Inquiry, the Commission is requested to:

- report on the appropriate economic regulation of airport services, including the effectiveness of the price and quality of service monitoring, in achieving the following objectives:
 - promoting the economically efficient and timely operation, use of and investment in airports and related industries
 - minimising unnecessary compliance costs
 - facilitating commercially negotiated outcomes in airport operations.
- The inquiry is to focus on the provision of passenger transport services at and surrounding main passenger airports operating in Australia's major cities.
- The Commission is to examine:
 - aeronautical services and facilities provided by airport operators
 - passenger-related aeronautical services and facilities provided by major airline tenants
 - the provision and quality of land transport facilities providing access to the airports.
- In undertaking its assessment, the Commission is to examine the economy-wide costs and benefits and distributional impacts of the regime. As far as practical, the Commission should seek to quantify and provide evidence for these costs and benefits. It should also seek to provide international comparisons of the performance of the airport operators.

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- The Commission should consider:
 - whether the existing regime is effective in appropriately deterring potential abuses of market power by airport operators
 - whether the existing range of remedies is effective in dealing with potential and suspected abuses of market power
 - the effectiveness of the monitoring regime conducted by the ACCC, including the methodology used and the adequacy of the information collected
 - whether the current regime impacts on the ability of airports to price, operate and invest in airport infrastructure in an efficient and timely manner
 - whether the coverage of the current regime is appropriate
 - any improvements or enhancements that could be made to the existing regime
 - the appropriate future role of the regime
 - the adequacy and arrangements for the control of planning, operation and service quality monitoring of land transport access to major airports
 - whether existing arrangements for the planning and operation of land transport linkages to the airports are effective.
 - To the extent applicable, the Commission is to have regard to the ACCC's Airport Monitoring Reports. This includes the matters raised by the ACCC in these reports such as:
 - the quality of service at major Australian airports
 - landside access to airport terminals such as car parking and its alternatives, and the cost and quality of car parking facilities
 - the extent to which monitored airports can act strategically to raise costs of on-airport car parking by controlling the conditions of landside access to terminal facilities.
 - The regulatory price cap and price notification regime for regional air services into and out of Sydney Airport (Declaration 92 under section 95X and Direction 32 under section 95ZH of the *Trade Practices Act 1974*) is not within the scope of this inquiry.
 - The second tier self-administered price and quality of service monitoring regime is not within the scope of this inquiry.

Economic Structure and Performance of the Australian Retail Industry

On 18 December 2010, the Assistant Treasurer, the Minister for Broadband, Communications and the Digital Economy, the Minister for Home Affairs and Justice and the Minister for Small Business announced that the Commission would undertake an inquiry into the economic structure and performance of the Australian retail industry. The Terms of Reference were received from the Assistant Treasurer on 3 February 2011, and the Commission is required to produce a final report by November 2011.

The Commission is requested to examine:

- The current structure, performance and efficiency of the retail sector and impediments to its contribution to the Australian economy.
- The drivers of structural change in the retail industry, including globalisation, increasing household and business access to the digital economy, cost structures of the domestic retail industry, employment structure, the exchange rate and structural change driven by the resources boom.
- The broader issues which are contributing to an increase in online purchasing by Australian consumers and the role of online purchasing in providing consumers with greater choice, access and convenience.
- The sustainability and appropriateness of the current indirect tax arrangements in this environment, including the impact on Commonwealth and State and Territory budgets, and the extent to which technology could reduce the administrative costs of collecting indirect taxes and duty on imported goods.
- Any other regulatory or policy issues which impact on structural change in the sector.

Education and Training Workforce: Schools

The Commission commenced the third of its education workforce studies, on the workforce in the schools sector, on 18 April 2011. The final report will be released within 12 months of commencing the study.

As part of its study, the Commission is asked to specifically consider and give advice on:

- The current and future supply for the schools workforce, including:
 - the availability and quality of pre-service education programs, including through undergraduate and postgraduate education, and VET

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- government programs targeting supply pressures, including the extent to which there is national cohesion in relation to these programs
 - motivation for entering, remaining in and exiting the schools workforce and the attraction and retention of principals in changing contexts
 - schools workforce participation, including ease of access to the teacher profession and/or schooling workforce, net returns to individuals, recognition of industry expertise, wastage rates in teacher training and underutilisation of qualified teachers (such as loss of qualified teachers to other occupations or overseas).
 - The structure and mix of the workforce and its consequent efficiency and effectiveness, including:
 - the composition and skills of the existing workforce
 - the productivity of the workforce and the scope for productivity improvements, qualifications pathways
 - how the current delineation of duties supports or impedes the achievement of COAG outcomes.
 - Workforce planning, development and structure in the short, medium and long term:
 - the extent to which current sectoral boundaries promote or limit efficiency and effectiveness in schools workforce
 - interface with suppliers of pre-service training (undergraduate, post-graduate and VET)
 - the quality and culture of the workforce and its employers, and their contribution to achieving COAG outcomes and setting future directions.

Annual Review of Regulatory Burdens on Business: Identifying and Evaluating Regulation Reforms

On 24 May 2011 the Commission was advised of a change in the terms of reference for the fifth year of reporting under the Annual Review of the Regulatory Burdens on Business stream of work. The new reference asks the Commission to undertake a review to propose frameworks and approaches that will be effective in identifying poorly performing areas of regulation and reform priorities.

In undertaking the review, the Commission has been asked to:

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- examine lessons gathered in Australia and overseas in reviewing regulation, identifying regulatory reform opportunities and priorities, and evaluating regulation reform outcomes
 - build on such lessons to analyse possible frameworks and approaches for identifying poorly performing areas of regulation and regulatory reform priorities, and both qualitative and quantitative methods for evaluating regulation reform outcomes.

In proposing enhanced frameworks and approaches to identify poorly performing areas of regulation and regulatory reform priorities, and methods for evaluating reform outcomes, the Commission is to:

- seek public submissions and consult with interested parties as necessary
- have regard to any other relevant current or recent reviews commissioned by Australian governments
- have regard to the assessment of the OECD in its 2009 *Review of Regulatory Reform in Australia — Towards a Seamless National Economy* that there is likely to be limited scope for gains to regulatory quality through a further tightening of existing processes.

The Commission is to produce a final report within six months of receipt of the reference.

Performance Benchmarking of Australian Business Regulation: Role of Local Government

On 4 July 2011, the Australian Government, with the agreement of COAG's Business Regulation and Competition Working Group, requested that the Commission undertake a benchmarking study into the role of local government as a regulator. The study is the fourth in a series of reviews benchmarking Australian business regulatory burdens.

In undertaking the study, the Commission has been requested to benchmark the extent to which particular approaches to the exercise of regulatory responsibilities by local government authorities affects costs incurred by business and specifically to:

- identify the scope of local government regulatory responsibilities in each state and territory
- clarify the extent to which the local government role includes implementing policies of national and state/territory governments

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- assess whether different responsibilities and the approach taken to their exercise has a material impact on business costs
 - identify best practices which have the capacity to reduce unnecessary regulatory costs for business.

The study will develop indicators to benchmark the performance of jurisdictions and facilitate regulatory improvements, and will draw on leading practice approaches both across Australia and overseas. The Commission is to produce a final report within twelve months of receipt of the reference.

Impacts and Benefits of COAG Reforms: Letter of direction

On 22 August 2011 the Assistant Treasurer wrote to the Commission providing further guidance on areas of focus for the next stage of its study on the impacts and benefits of COAG reforms.

The letter asked that, in undertaking the next stage of its study, the Commission:

- should examine areas of COAG's competition and regulation stream likely to have realised or prospective impacts. In this context, the Commission was asked to focus on 14 completed deregulation reforms (pending COAG's agreement to the completion of the food reform), the Personal Property Securities and Occupational Health and Safety reforms which are scheduled to be operational by 1 January 2012, and the National Construction Code reform which is substantially complete.
- also examine the impact of education and training reforms in the human capital reform stream within its first report. The Commission was asked to focus on the impacts of reforms to vocational education and training on productivity and workforce participation. The Commission was also asked to examine initiatives that support young people and disadvantaged groups in making a successful transition from school to further education, training or employment as part of its analysis.

The letter of direction also amended the original reporting deadline and requested that the Commission now provide its report by the end of March 2012.

Export Credit Arrangements

The Assistant Treasurer asked the Commission to consider arrangements for the provision of export credit through the Export Finance and Insurance Corporation (EFIC) on 1 September 2011.

In undertaking the inquiry, the Commission has been asked to:

- review government involvement in the provision of export credit and assess current arrangements against the requirements of the Export Finance and Insurance Corporation Act 1991
- review EFIC's exemption from competitive neutrality legislation, its funding, pricing and service arrangements, and assess their impact on private sector provision of financial products and services which support Australian export trade
- assess the interactions between EFIC and other government programs and consider alternatives that would achieve EFIC's objectives.

The Commission is required to present its final report to government within nine months of receipt of the reference.

Climate Change Adaptation

On 20 September 2011 the Assistant Treasurer asked the Commission to undertake an inquiry into barriers to effective climate change adaptation. The inquiry covers regulatory and policy barriers that inhibit the ability of the community to adapt effectively to climate change.

In undertaking the inquiry, the Commission has been asked to identify any specific barriers to effective adaptation, and high priority options for addressing those barriers. In doing so the Commission is to:

- examine the costs and benefits of the options to address those barriers where it is feasible to do so, including a 'no change' (maintaining the status quo) option
- assess the role of markets (including insurance markets) and non-market mechanisms in facilitating adaptation, and the appropriateness of government intervention.

The Commission is required to present its final report to government within twelve months of receipt of the reference.

Reports released by the Government

This section summarises the main findings and recommendations of inquiry and research reports which have been released by the Government in the period to 1 October 2011. It includes terms of reference for those projects commenced and completed in that period and, where available, government responses.

Wheat Export Marketing Arrangements

Inquiry Report No. 51 signed 1 July 2010, report released 28 October 2010.

The Commission's main findings and recommendations were that:

- The transition to competition in the exporting of bulk wheat has progressed relatively smoothly, particularly given difficult international trading conditions — a pronounced commodity price cycle, the global financial crisis, and exchange rate appreciation.
- The regulatory arrangements for marketing bulk wheat exports have been beneficial during the transitional phase since deregulation. They have given growers confidence in adjusting to deregulation and facilitated the rapid entry of 28 accredited traders, with 12 million tonnes exported to 41 countries in the first year after deregulation.
- A range of marketing options has become available since deregulation. However, some growers prefer the previous single desk arrangements.
- The benefits of accreditation of traders will rapidly diminish in the post transitional phase, leaving only the costs. The accreditation scheme, Wheat Exports Australia and the Wheat Export Charge should be abolished on 30 September 2011.
- The port terminal access test has provided greater certainty for traders and made access easier, more timely and less costly than it could have been by relying on potential declaration under Part IIIA of the Trade Practices Act.
- However, there are still some transitional issues associated with port access and contestability in the logistics supply chain. The access test accordingly should remain a condition for port operators to export bulk wheat until 30 September 2014.
- The benefits of the access test will diminish and could become costly in the long term without the checks and balances of Part IIIA of the Trade Practices Act. From 1 October 2014, regulated access should rely on Part IIIA, with continuation of mandatory disclosure, supplemented by a voluntary code of conduct by all port terminal services operators.
- There is evidence that increasing on-farm storage, and competition between road and rail, are leading to improvements in supply chain efficiency. However, it is important that the regulatory arrangements enhance efficiency in the transport and storage market by facilitating contestability.
 - The Commission supports the decision by the ACCC to review the exclusive dealing notification in relation to Grain Express in Western Australia.

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- The level and allocation of investment in road and rail infrastructure by governments should be based on rigorous cost-benefit analysis, with a focus on developing economically and socially efficient logistics chains.
 - Monthly information by state on stocks, exports and domestic uses facilitates an efficient wheat market. Industry should consider funding its continuation.
 - The provision of most other ‘industry good’ functions is best left to the industry.

Government decision

On 23 September 2011 the Government released a response to the Commission’s report (Australian Government 2011f). The Government agreed in-principle with the Commission’s recommendations to abolish the Wheat Export Accreditation Scheme, Wheat Exports Australia and the Wheat Export Charge on 30 September 2011, and remove the access test requirements for grain port terminal operators on 30 September 2014. However it proposed a more gradual, three-stage approach in transitioning to full market deregulation, involving:

- a first stage introduction of a ‘lighter touch’ accreditation scheme between 1 October 2011 and 30 September 2012
- removal in the second stage of Wheat Exports Australia and the Wheat Export Charge from 1 October 2012
- introduction of full deregulation, with access issues governed by general competition law, in a third stage commencing from 1 October 2014.

In announcing the response, the Minister for Agriculture, Fisheries and Forestry, Senator Joe Ludwig, stated that:

The Government supports the recommendations provided by the Commission and believes they will improve future wheat marketing arrangements. (Ludwig 2011)

Rural Research and Development Corporations

Inquiry Report No. 52 signed 10 February 2011, report released 15 June 2011.

The Commission’s main findings and recommendations were that:

- Through the Rural Research and Development Corporations (RDCs), rural industries and the Australian Government together invest some \$490 million a year in R&D.
- This co-investment model has important strengths, including: helping to ensure that public money is not spent on research of little practical value; and facilitating greater and faster uptake of research outputs.

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- However, as currently configured, the model has some significant shortcomings.
 - It does not cater well for broader rural R&D needs.
 - The overall level of public support for industry-focused research is too high given the sound financial reasons that producers or industries would have to fully fund much of this research themselves.
 - The basis for the Government’s matching contribution to RDCs provides no incentive for producers to increase their investments in the model over time.
 - While the broad model should be retained, significant changes to the way in which the Government contributes its funding are therefore called for. Specifically:
 - The current cap on dollar for dollar matching of industry contributions by the Government should be halved over a ten-year period.
 - A new, uncapped, subsidy at the rate of 20 cents in the dollar should be immediately introduced for industry contributions above the level that attracts dollar for dollar matching.
 - A new, government-funded, RDC — Rural Research Australia (RRA) — should be created to sponsor broader rural research. With RRA in place, the other RDCs (except for the Fisheries RDC) should be left to focus predominantly on funding research of direct benefit to their industry constituents.
 - These new arrangements would result in a modest reduction in total government funding for the RDC model — though with a similarly modest increase in private contributions, the overall amount of funding available to the RDCs could increase.
 - More importantly, the redistribution of some public money to broader research would deliver better value for the community from its investment in the model.
 - These funding changes should be supported by a new set of program principles, setting out the broad obligations on RDCs in return for their public funding and how the Government should discharge its responsibilities on behalf of the wider community.
 - Some more specific changes should also be made, including to:
 - enable (though not require) the appointment of a ‘government director’ to the board of an RDC
 - improve the robustness and transparency of project evaluations, independent performance reviews, and the monitoring of program outcomes by the Government.

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- There is also a need for better data on overall rural R&D funding and spending.
 - However, overlaying the framework with a target level of total spending on rural R&D, or a target ‘research intensity’, would not be appropriate.

Government decision

The Australian Government released a preliminary response to the Commission’s report on 15 June 2011. This stated that, while the Government acknowledged that improvements can be made to the RDC model, it would not adopt the Commission’s recommendation to halve the cap on government matching contributions to RDCs in conjunction with the introduction of a new subsidy above the cap. The Government also stated that it would develop a more detailed final response to the report.

Caring for Older Australians

Inquiry Report No. 53 signed 28 June 2011, report released 8 August 2011.

The Commission’s main findings and recommendations were that:

- Over one million older Australians receive aged care services. The range and quality of these services have improved over past decades, but more needs to be done.
- Future challenges include the increasing numbers and expectations of older people, a relative fall in the number of informal carers, and the need for more workers. By 2050, over 3.5 million Australians are expected to use aged care services each year.
- The aged care system suffers key weaknesses. It is difficult to navigate. Services are limited, as is consumer choice. Quality is variable. Coverage of needs, pricing, subsidies and user co-contributions are inconsistent or inequitable. Workforce shortages are exacerbated by low wages and some workers have insufficient skills.
- The Commission’s proposals address these weaknesses and challenges and aim to deliver higher quality care. The focus is on the wellbeing of older Australians — promoting their independence, giving them choice and retaining their community engagement. Under this integrated package of reforms, older Australians would:
 - be able to contact a simplified ‘gateway’ for: easily understood information; an assessment of their care needs and their financial capacity to contribute to

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- the cost of their care; an entitlement to approved aged care services; and for care coordination — all in their region
- receive aged care services that address their individual needs, with an emphasis on reablement where feasible
 - choose whether to receive care at home, and choose their approved provider
 - contribute, in part, to their costs of care (with a maximum lifetime limit) and meet their accommodation and living expenses (with safety nets for those of limited means)
 - have access to a government-sponsored line of credit (the Australian Aged Care Home Credit scheme), to help meet their care and accommodation expenses without having to sell their home. A person's spouse, or other 'protected person' would be able to continue living in that home when an older person moved into residential care
 - choose to pay either a periodic charge or a bond for residential care accommodation
 - if they wish to sell their home, retain their Age Pension by investing the sale proceeds in an Australian Age Pensioners Savings Account
 - have direct access to low intensity community support services
 - be able to choose whether to purchase additional services and higher quality accommodation.
- Limits on the number of residential places and care packages would be phased out, while distinctions between residential low and high care and between ordinary and extra service status would be removed.
 - Safety and quality standards would be retained. An Australian Aged Care Commission would be responsible for quality and accreditation; and would transparently recommend efficient prices to the Government.

Disability Care and Support

Inquiry Report No. 54 signed 31 July 2011, report released 10 August 2011.

The Commission's main findings and recommendations were that:

- Most families and individuals cannot adequately prepare for the risk and financial impact of significant disability. The costs of lifetime care can be so substantial that the risks and costs need to be pooled.
- The current disability support system is underfunded, unfair, fragmented, and inefficient, and gives people with a disability little choice and no certainty of

access to appropriate supports. The stresses on the system are growing, with rising costs for all governments.

- There should be a new national scheme — the National Disability Insurance Scheme (NDIS) — that provides insurance cover for all Australians in the event of significant disability. Funding of the scheme should be a core function of government (just like Medicare).
- The main function (and source of cost) of the NDIS would be to fund long-term high quality care and support (but not income replacement) for people with significant disabilities. Everyone would be insured and around 410 000 people would receive scheme funding support.
- The NDIS would have other roles. It would aim to better link the community and people with disabilities, including by using not-for-profit organisations. It would also provide information to people, help break down stereotypes, and ensure quality assurance and diffusion of best practice among providers.
- The benefits of the scheme would significantly outweigh the costs. People would know that, if they or a member of their family acquired a significant disability, there would be a properly financed, comprehensive, cohesive system to support them. The NDIS would only have to produce an annual gain of \$3800 per participant to meet a cost-benefit test. Given the scope of the benefits, that test would be passed easily.
- The scheme should involve a common set of eligibility criteria, entitlements to individually tailored supports based on the same assessment process, certainty of funding based on need, genuine choice over how their needs were met (including choice of provider) and portability of entitlements across borders. There would be local area coordinators and disability support organisations to provide grass roots support. The insurance scheme would take a long-term view and have a strong incentive to fund cost effective early interventions, and collect data to monitor outcomes and ensure efficiency.
- The above features would be best met by a having a single agency overseeing the NDIS — the National Disability Insurance Agency. It would be created by, and report to, all Australian governments. It would have strong governance arrangements, with an independent commercial board, an advisory council of key stakeholders, clear guidelines to ensure a sustainable and efficient scheme, and legislation that protected the scheme from political influences.
- It would be the assessor and funder, but not the provider of care and support. Services would be provided by non-government organisations, disability service organisations, state and territory disability service providers, individuals and mainstream businesses. Increased funding, choice and certainty are the key

features of the recommended scheme. Advocacy would be funded outside the scheme.

- An alternative but inferior option would be a ‘federated’ NDIS. This would give state and territory governments control over their own systems, but with some common core features. Such an arrangement could easily revert to the current flawed and unfair system, with ‘agreements’ breaking down into disputes about who is to pay, how much and for what.
- People would have much more choice in the proposed NDIS. Their support packages would be tailored to their individual needs. People could choose their own provider(s), ask an intermediary to assemble the best package on their behalf, cash out their funding allocation and direct the funding to areas of need (with appropriate probity controls and support), or choose a combination of these options.
- The NDIS would cover the same types of supports currently provided by specialist providers (but with sufficient funding), give people more opportunity to choose mainstream services, and encourage innovative approaches to support.
- The Australian Government currently provides funding to the disability sector of around \$2.3 billion, while state and territory governments provide funding of around \$4.7 billion — a total of over \$7 billion.
- Current funding for disability is subject to the vagaries of governments’ budget cycles. People with disabilities have no certainty that they will get reasonable care and support over the long run. Resourcing might be good one year, but insufficient the next, with many people missing out. The Commission estimates that the amount needed to provide people with the necessary supports would be about double current spending (an additional \$6.5 billion per annum).
- The Commission proposes several options for providing certainty of future funding. Its preferred option is that the Australian Government should finance the entire costs of the NDIS by directing payments from consolidated revenue into a ‘National Disability Insurance Premium Fund’, using an agreed formula entrenched in legislation. The amount needed could be funded through a combination of cuts in existing lower-priority expenditure, fiscal drag, and if necessary, tax increases.
- A less preferred option is that all governments could pool funding, subject to a long-run arrangement based on the above formula, and with pre-specified funding shares. This would need to be closely monitored by transparent accounting and penalties for failure to meet commitments.
- The scheme would gradually be rolled out from mid-2014. It would start in a few regions. That would allow fine-tuning of the scheme, while providing high quality services to many thousands of people. In 2015-16, the scheme should

cover all regions of Australia for the highest priority groups, and should progressively expand until the scheme covered all people by the end of 2018-19.

- A separate scheme is needed for people requiring lifetime care and support for catastrophic injuries — such as major brain or spinal cord injuries. Currently, many Australians get poor care and support when they acquire such injuries because they cannot find an at-fault party to sue.
- A no-fault National Injury Insurance Scheme, comprising a federation of individual state and territory schemes, would provide fully-funded care and support for all cases of catastrophic injury. It would draw on the best schemes currently operating around Australia. State and territory governments would be the major driver, developing a comprehensive scheme by 2015.

Government decision

On 10 August 2011 the Australian Government provided an initial response to the Commission's report (Gillard et al. 2011). The response supported 'the Productivity Commission's vision for a system that provides individuals with the support they need over the course of their lifetime, and wants reform of disability services that is financially sustainable.' It also stated that:

In line with the Productivity Commission's recommendations, the Government, with the States and Territories, will start work immediately on building the foundations for reform. We will:

- Deliver an immediate, additional \$10 million, consistent with the PC recommendations, to support this technical policy work;
- Move to establish a COAG Select Council of Ministers from the Commonwealth, States and Territories to lead reform in this area at COAG next month;
- Take steps to establish an Advisory Group to the Select Council, led by Dr Jeff Harmer, to provide expert advice on delivering the foundations for reform and preparation for launch. (Gillard et al. 2011)

The response stated that, in line with Commission recommendations, work on technical policy work would include development of common assessment tools to determine eligibility for support; development of service and quality standards; development of a national pricing structure; and capacity building in the disability sector, including in relation to the workforce.

Bilateral and Regional Trade Agreements

Research Report completed 27 November 2010, report released 13 December 2010.

The Commission's main findings and recommendations were that:

- In line with global trends, Australia has recently entered a number of new bilateral and regional trade agreements (BRTAs) and is negotiating several more.
- The Australian Government's approach has been to negotiate comprehensive agreements that seek substantial reductions in trade barriers.
 - For merchandise trade, recent BRTAs have resulted in some significant bilateral tariff reductions both in Australia and in partner countries.
 - For services and investment trade, BRTAs typically limit discrimination between suppliers.
 - Australia's agreements have often also included provisions on matters such as intellectual property, competition policy and trade facilitation.
- Theoretical and quantitative analysis suggests that tariff preferences in BRTAs, if fully utilised, can significantly increase trade flows between partner countries, although some of this increase is typically offset by trade diversion from other countries.
 - The increase in national income from preferential agreements is likely to be modest.
- The Commission has received little evidence from business to indicate that bilateral agreements to date have provided substantial commercial benefits.
 - This may be because the main factors that influence decisions to do business in other countries lie outside the scope of BRTAs.
- Domestic economic reform offers relatively large economic benefits and should not be delayed to retain 'bargaining coin'.
- In the international arena, the Australian Government should continue to pursue progress in the Doha Round. Building the case for substantive reductions in trade barriers internationally requires improvements in domestic transparency and policy analysis within each country.
- While BRTAs can reduce trade barriers and help meet other objectives, their potential impact is limited and other options often may be more cost-effective.
- Current processes for assessing and prioritising BRTAs lack transparency and tend to oversell the likely benefits.
- To help ensure that any further BRTAs entered into are in Australia's interests:
 - Pre-negotiation modelling should include realistic scenarios and be overseen by an independent body. Alternative liberalisation options should also be considered.

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- A full and public assessment of a proposed agreement should be made after negotiations have concluded — covering all of the actual negotiated provisions.
 - The Government should also develop and publish an overarching trade policy strategy, to better coordinate and track the progress of trade policy initiatives, and to ensure that efforts are devoted to areas of greatest likely return.

Government decision

In April 2011 the Australian Government released a Trade Policy Statement (Australian Government 2011c). It stated that:

The Productivity Commission's report into bilateral and regional trade agreements released in late 2010 has been closely considered in the preparation of this review, and its policy positions are highly consistent with the Productivity Commission's recommendations.

The Statement also provided detailed responses to the Commission's recommendations, and 9 of the 10 recommendations in the Commission's report were accepted. The Government also agreed in part to the outstanding recommendation, but did not agree with the Commission's view that an independent and transparent assessment of the final text of agreements should be commissioned and published at the conclusion of negotiations, but before an agreement is signed.

Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Land Development Assessments

Research Report completed 29 April 2011, report released 16 May 2011.

The Commission's main findings and recommendations were that:

- Planning systems vary greatly across the states and territories — but all suffer from 'objectives overload' which has been increasing.
- The success of local councils in delivering timely, consistent decisions depends on their resources as well as their processes. It is also influenced by the regulatory environment created by state governments — in particular the clarity of strategic city plans, the coherence of planning laws and regulations, and how well these guide the creation of local level plans and the assessment of development applications.
- Significant differences in state and territory planning systems include the degree of integration between planning and infrastructure plans, and how capably the states manage their relationships with and guidance for their local councils.

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- Significant differences between jurisdictions are evident for:
 - business costs — such as the median time taken to assess development applications and the extent of developer charges for infrastructure
 - the amount of land released for urban uses
 - the provision made for appeals and alternative assessment mechanisms
 - community involvement in influencing state and city plans, in development assessment and in planning scheme amendments (such as rezoning).
 - Competition restrictions in retail markets are evident in all states and territories. They arise: from excessive and complex zoning; through taking inappropriate account of impacts on established businesses when considering new competitor proposals; and by enabling incumbent objectors to delay the operations of new developments.
 - Leading practices to improve planning, zoning and assessment include:
 - providing clear guidance and targets in strategic plans while allowing flexibility to adjust to changing circumstances and innovation (so long as good engagement, transparency and probity provisions are in place)
 - strong commitment to engage the community in planning city outcomes
 - broad and simple land use controls to: reduce red tape, enhance competition, help free up urban land for a range of uses and give a greater role to the market in determining what these uses should be
 - rational and transparent rules for charging infrastructure costs to businesses
 - risk-based and electronic development assessment
 - timeframes for referrals, structure planning and rezoning
 - transparency and accountability, including for alternative rezoning and development assessment processes as well as having limited appeal provisions for rezoning decisions
 - limiting anti-competitive objections and appeals, with controls on their abuse
 - collecting and publishing data on land supply, development assessment and appeals.

Vocational Education and Training Workforce

Research Report completed and released 21 April 2011.

Key points from the report were that:

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- The Vocational Education and Training (VET) workforce builds Australia’s human capital and contributes to its economic prosperity by equipping workers with the skills that industry needs. The VET workforce also contributes to social inclusion and civic participation.
 - There are nearly 5000 Registered Training Organisations (RTOs), ranging from large, broad-based Technical and Further Education (TAFE) institutes to private sector and enterprise-based RTOs of varying size and scope.
 - The VET workforce comprises about 73 000 TAFE employees and an estimated 150 000 who work for other VET providers. It includes trainers and assessors, other professionals and general staff. It has a greater proportion of part-time, casual and older workers, compared with the general labour force.
 - VET trainers and assessors are required to be ‘dual professionals’, having both industry currency and educational capabilities.
 - At an aggregate level, the current VET workforce numbers, profile and capability meet many of the existing demands on the VET sector.
 - However, some clear deficiencies should be addressed. The VET sector requires: more trainers and assessors with industry skills in demand; greater attention to meeting changing contemporary skills needs; and a wider base of the VET workforce that has at least basic educational capabilities.
 - A confluence of demographic, economic and regulatory factors will introduce greater challenges for the VET sector over coming years. Necessary reforms, that will improve the VET workforce’s capacity and capability, include:
 - a more flexible industrial relations regime in the TAFE sector, to facilitate recruitment and retention in areas of skill scarcity
 - more consistent delivery of the Certificate IV in Training and Assessment (TAA) to the required regulatory standard, to improve basic educational capability and consumer confidence. All practitioners in the VET sector should hold a teaching qualification commensurate with their role
 - action to remedy gaps in the: delivery of higher-level qualifications; assessment of Recognition of Prior Learning and of Current Competency; use of information and communication technologies; and development of managerial and leadership skills
 - the deployment of strategies that enhance the contemporary vocational competence of those workers with long tenures or who are employed only in the VET sector
 - more targeted and evidence-based professional development that addresses identified capability requirements of the workforce.

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- Better data — particularly covering the private VET sector — are urgently required to inform policy strategies and assist with workforce planning.

Impacts and Benefits of COAG Reforms: Framework Report

Research Report completed and released 23 December 2010.

Key points from the report were that:

- The Commission has been requested to report every two to three years to COAG on the economic ‘impacts and benefits’ of COAG reforms. The Commission is also required to consider the extent to which Australia’s reform potential is being achieved and opportunities for improvement.
 - In preparation for its first report, the Commission has been requested to provide this framework report outlining its proposed approach.
- As in earlier exercises, the Commission will adopt an economy-wide approach for its assessments.
 - The proposed framework recognises the direct and wider flow-on effects of reforms. As far as practicable, costs incurred by government to achieve reform objectives and outcomes will also be taken into account.
- The framework will provide for the quantification of the impacts of COAG reforms on national economic activity, employment and income. It will also provide quantification of fiscal, as well as State, regional and other distributional effects of change.
 - The Commission proposes to use a ‘dynamic general equilibrium model’ to project economy-wide impacts.
- Where practicable, the social and environmental impacts will also be assessed.
 - Although not in comparable metrics, available indicators will be drawn on to help provide a broader assessment of the overall impacts of reform.
- The Commission will group reforms into three broad streams: competition and regulation; human capital (including health, education and training); and the environment.
 - The proposed framework will account for differing lead times and the implications of changing demographic and economic characteristics on reform impacts.
- Taking into account the progressive development and implementation of COAG’s reforms, it is proposed that the Commission’s first report provide:
 - an overview of the agenda and the potential for gains;

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- an assessment of areas of the competition and regulation stream for which policy development and implementation are advanced; and
 - an assessment of an area of the human capital stream, such as education, where agreements have been concluded and there are some realised as well as prospective impacts.
- It is proposed that the Commission progressively report across the three reform streams in subsequent reports.

Emission Reduction Policies and Carbon Prices in Key Economies

Research Report completed 31 May 2011 and released 9 June 2011.

On 15 November 2010, the Australian Government asked the Commission to undertake a study on the effective carbon prices that result from emissions and energy reduction policies in Australia and other key economies.

The Commission was to:

- examine and detail key emissions reduction policies either in place or committed in Australia and other key economies, such as the UK, USA, Germany, New Zealand, China, India, Japan and South Korea
- estimate the effective carbon price per tonne of carbon dioxide equivalent (CO₂-e) faced by the electricity generation sectors in these economies, and selected industries drawn from manufacturing and transport sectors in these and other countries where relevant and data permitting
- report on the methodology, assumptions and data sources used, so as to inform further analysis in this area.

Key points from the report were that:

- More than 1000 carbon policy measures were identified in the nine countries studied, ranging from (limited) emissions trading schemes to policies that support particular types of abatement technology.
 - As policies have been particularly targeted at electricity generation and road transport emissions, the Commission analysed major measures in these sectors.
- While these disparate measures cannot be expressed as an equivalent single price on greenhouse gas emissions, all policies impose costs that someone must pay. The Commission has interpreted ‘effective’ carbon prices broadly to mean the cost of reducing greenhouse gas emissions — the ‘price’ of abatement achieved by particular policies.

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- The Commission's estimates essentially provide a snapshot of the current cost and cost effectiveness of major carbon policies.
 - The subsidy equivalent, abatement achieved and implicit abatement subsidy have been calculated for policies and aggregated by sector in each country.
 - As a proportion of GDP, Germany was found to have allocated more resources than other countries to abatement policies in the electricity generation sector, followed by the UK, with Australia, China and the US mid-range.
 - Estimates of abatement relative to counterfactual emissions in the electricity generation sector followed a similar ordering, with Germany significantly ahead, followed by the UK, then Australia, the US and China.
 - The estimated cost per unit of abatement achieved varied widely, both across programs within each country and in aggregate across countries.
 - Emissions trading schemes were found to be relatively cost effective, while policies encouraging small-scale renewable generation and biofuels have generated little abatement for substantially higher cost.
 - The relative cost effectiveness of price-based approaches is illustrated for Australia by stylised modelling that suggests that the abatement from existing policies for electricity could have been achieved at a fraction of the cost.
 - However, the estimates cannot be used to determine the appropriate starting price of a broadly-based carbon pricing scheme.
 - The estimated price effects of supply-side policies have generally been modest, other than for electricity in Germany and the UK.
 - Such price uplifts are of some relevance to assessing carbon leakage and competitiveness impacts, but are very preliminary and substantially more information would be required.

Government responses to reports from previous years

Regulatory Burden on the Upstream Petroleum (Oil and Gas) Sector

Research Report completed 9 April 2009, report released 30 April 2009.

On 25 May 2011, the Hon Martin Ferguson, Minister for Resources and Energy released the Commonwealth Government's Response to the Productivity Commission Review of Regulatory Burden on the Upstream Petroleum (Oil & Gas) Sector. The Government agreed to a large majority (25 of 30) of the recommendations made in the Commission's report.

Earlier agreement was provided to these recommendations by the Ministerial Council on Mineral and Petroleum Resources (MCMPR) in December 2009. The MCMPR also agreed to implementation plans for these recommendations and forwarded them to COAG. Implementation of these 25 agreed recommendations is underway.

Paid Parental Leave: Support for Parents with Newborn Children

Inquiry Report No. 47 signed 28 February 2009, report released 12 May 2009.

As part of the 2009-10 Budget, the Australian Government announced its intention to introduce a Paid Parental Leave scheme. The scheme introduced was closely based on that proposed in the Commission's final inquiry report. The Government included an income test in the eligibility rules which was not recommended by the Commission, and the Government initially deferred consideration of the two weeks paternity leave that was recommended by the Commission. Otherwise, the features of the Government's scheme reflected those recommended by the Commission.

Subsequently, in 2011 the Government also introduced provision for two weeks paternity leave in line with the Commission's recommendation.

Australia's Anti-dumping and Countervailing System

Inquiry Report No. 48 signed 18 December 2009, report released 27 May 2010.

The Minister for Home Affairs and Justice, Brendan O'Connor, and the Minister for Trade, Dr Craig Emerson, announced a response to the Commission's report on 22 June 2011 (Australian Government 2011d). The Government agreed or agreed in-principle to 15 of the report's 20 recommendations. These covered a range of issues, including working groups to examine the close processed agricultural goods provisions; not adopting the practice of zeroing; updating actionable subsidies to align with the latest relevant WTO agreements; arrangements for Customs to seek extensions of investigation periods; the introduction of a 30 day time limit for the Minister to make decisions; adequate resourcing for Customs and Border Protection and the Trade Measures Review Officer; advice to the Minister in investigation reports of the details of comparable recent cases in other countries; consultation with the ABS regarding better access to import data; and a five-year review of proposed reforms. The Government did not accept the Commission's recommendation concerning the introduction of a public interest test.

Annual Review of Regulatory Burdens on Business – Business and Consumer Services

Research Report completed 31 August 2010, report released 12 October 2010.

On 28 February 2007, the Treasurer announced a program of annual reviews of the burdens on business arising from the stock of Australian Government regulation. The cycle commenced in April 2007 with a review of the regulatory burdens on businesses in Australia's primary sector.

The fourth yearly review reported on regulatory burdens in the business and consumer service industries. In broad terms, this includes financial and insurance services, accommodation and food services, hiring, real estate, professional and personal services, arts and recreation, and repair and maintenance services the business and consumer services area.

The Australian Government released a response to the report on 13 September 2011 (Australian Government 2011e). The Commission's report made 18 recommendations, covering issues including government consultation, superannuation, rationalisation of legacy financial products, monetary thresholds applying to overseas investment in Australia and national registration of architects. The Government accepted or accepted in principle ten of the recommendations and noted eight recommendations.