
2 Review of Commission activities and performance

Some highlights from 2006-07

- major reports on road and rail freight infrastructure pricing, price regulation of airport services, waste management and public support for science and innovation
- COAG acceptance of the Commission's proposals to move to stage 2 of business regulation benchmarking
- completion of a major research study to inform COAG of the potential benefits of the National Reform Agenda
- release of the 3rd Overcoming Indigenous Disadvantage report and the Chairman's presentation to the OECD World Forum in Istanbul
- establishment of an enhanced regulation-making framework at the Commonwealth level and of the Office of Best Practice Regulation within the Commission to replace the Office of Regulation Review
- key supporting research outputs to inform policy development and debate on productivity, emissions trading and labour market issues

Areas of focus for 2007-08

- completion of current inquiries and government-commissioned research on the consumer policy framework, chemicals and plastics regulation, retail tenancies, local government revenue raising capacity and safeguard action against pigmeat imports
- continuing assessment of regulatory burdens on business and the inter-jurisdictional benchmarking of business regulation
- ongoing implementation of the enhanced regulation-making framework, including improved use of cost-benefit analysis and consultation requirements such as green papers, exposure drafts and annual regulatory plans
- plan for and develop the Commission's ability to meet future work demands

Overview

The Productivity Commission is the Australian Government's principal review and advisory body on microeconomic policy and regulation. Consistent with the objective of raising national productivity and living standards, its remit covers all sectors of the economy. The Commission's work extends to the private and public sectors, including areas of State, Territory and local government, as well as federal responsibility. The Productivity Commission was formed in 1998 from an amalgamation of the Industry Commission, Bureau of Industry Economics and the Economic Planning Advisory Commission. Details of its role, functions and policy guidelines were outlined in the Productivity Commission's first annual report (PC 1998).

The Commission is expected to contribute to well-informed policy making and public understanding on matters related to Australia's productivity and living standards. Its work is based on independent and transparent analysis that takes a community-wide perspective rather than just considering the interests of particular industries or groups. It often deals with contentious and complex issues where the potential long-term pay-off for the nation from better informed policy making is high.

The outcome objective for the Productivity Commission 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 Commission, in pursuing this objective, has five broad work streams or categories of outputs:

- government-commissioned projects;
- performance reporting and other services to government bodies;
- regulation review activities;
- competitive neutrality complaints activities; and
- supporting research and activities and statutory annual reporting.

The breadth and volume of the Commission's work are indicated by the reports it published in 2006-07 (box 2.1). There was a strong emphasis on regulatory issues in the 2006-07 work program, with inquiries on the pricing of road and rail freight infrastructure as well as airport services, the consumer policy framework and retail tenancy, and government-commissioned studies on the feasibility of inter-jurisdictional benchmarking of business regulation and of the scope to reduce the regulatory burden on Australia's primary sector. A variety of environmental and

Box 2.1 Commission publications in 2006-07

Public inquiries (draft reports)

Review of price regulation of airport services	Tasmanian freight subsidy arrangements
Road and rail freight infrastructure pricing	

Public inquiries (final reports)

Review of price regulation of airport services	Waste management
Tasmanian freight subsidy arrangements	Road and rail freight infrastructure pricing

Government-commissioned research studies (draft reports)

Standard setting and laboratory accreditation	Public support for science and innovation
Performance benchmarking of Australian business regulation	

Government-commissioned research studies (final reports)

Standard setting and laboratory accreditation	Rural water use and the environment: the role of market mechanisms
Performance benchmarking of Australian business regulation	Public support for science and innovation

Performance reporting

Report on Government Services 2007: education, justice, emergency management, health, community services and housing	Report on Government Services 2007: Indigenous compendium
Framework for reporting on Indigenous disadvantage: report on consultations	Overcoming Indigenous disadvantage: key indicators 2007 overview
Financial performance of government trading enterprises 2000-01 to 2004-05	Overcoming Indigenous disadvantage: key indicators 2007 report

Regulation review

Best practice regulation handbook and associated tools and guidance material (drafts)

Annual report suite of publications

Annual report 2005-06	Regulation and its review 2005-06
Trade & assistance review 2005-06	

Commission research paper

Potential benefits of the National Reform Agenda

Submission

Productivity Commission submission to the Prime Ministerial Task Group on Emissions Trading

(continued next page)

Box 2.1 (continued)

Chairman's published speech

Regulation for Australia's federation in the 21st century

ABS/Productivity Commission report

Characteristics of Australia's irrigated farms, 2000-01 to 2003-04

Staff working papers

Workforce participation rates — how does Australia compare?

Men not at work: an analysis of men outside the labour force

Effects of health and education on labour force participation

Can Australia match US productivity performance?

2006 Richard Snape Lecture

The world economy in the new millennium: a golden age? (Deepak Lal)

social issues, each with significant economic dimensions, is evident in completed projects on waste management, rural water use and the environment, emissions trading, Indigenous disadvantage, labour force participation and related elements of the 'human capital' stream of the National Reform Agenda.

Following the report *Rethinking Regulation* by the Regulation Taskforce (2006), chaired by the Commission's Chairman, the Australian Government moved to raise the quality of regulation over time through an enhanced regulation-making framework that would improve the analysis of regulatory proposals and their subsequent review.

The Office of Best Practice Regulation (OBPR), established within the Commission in November 2006 to replace the Office of Regulation Review, has been assigned a central role in assisting government regulatory bodies meet the new requirements and build their capacity to undertake regulation impact analysis. The OBPR also monitors compliance with the regulatory impact analysis requirements. The new requirements for regulatory analysis are set out in the *Best Practice Regulation Handbook* that was prepared under the guidance of a Steering Committee of senior officials from the departments of the Prime Minister and Cabinet, Treasury and Industry, Tourism and Resources. The OBPR has taken responsibility for the Business Cost Calculator, Regulatory Performance Indicators and Annual Regulatory Plans, previously administered by the Department of Industry, Tourism and Resources. Like the Office of Regulation Review, the OBPR continues to advise ministerial councils and national standard-setting bodies on regulatory best practice and reports on compliance with COAG requirements.

A continuing feature of the Commission's work program is its involvement with Australia's jurisdictions in standing research responsibilities and specific projects. The Commission's standing research obligations encompass cross-jurisdictional reporting on the performance of government services, indicators of Indigenous disadvantage and the performance of government trading enterprises. Specific projects completed in 2006-07 were:

- the study on rural water use and the environment, undertaken to assist jurisdictions meet their commitments under the National Water Initiative
- the inquiry report responding to COAG's request that the Commission develop proposals for the efficient pricing of road and rail freight infrastructure
- the Commission's assessment of the feasibility of developing cross-jurisdictional performance indicators and reporting frameworks to assist COAG implement its decision to adopt a common framework for benchmarking, measuring and reporting on the regulatory burden on business
- the Commission Research Paper, *Potential Benefits of the National Reform Agenda*, followed a request by COAG Senior Officials for an evaluation of the potential economic and revenue implications of the competition-related and regulatory reform streams of the NRA, as well as its human capital stream covering health, education and training, and work incentives.

Current projects continue the trend. These include the Commission's inquiry on Australia's consumer policy framework (for consideration by the Ministerial Council on Consumer Affairs) and government-commissioned studies on chemicals and plastics regulation (to help inform the work of the COAG ministerial taskforce in streamlining and harmonising the system of national chemicals and plastics regulation) and on local government revenue raising capacity. At its meeting in April 2007 and consistent with the Commission's initial report, COAG agreed to proceed to the second stage of business regulation benchmarking and the Commission commenced this project in September 2007.

In addition, COAG has agreed that jurisdictions will review existing regulations with a view to encouraging competition and efficiency while streamlining and reducing the regulatory burden on business. Each jurisdiction is to initiate at least annual targeted reviews to reduce the burden of existing regulation in its own jurisdiction through a public inquiry and reporting process. The Commission began the first of the Commonwealth's annual reviews — commencing with the primary sector — in April 2007.

Year in review

The Productivity Commission's objective of better informing public policy development and community understanding of key issues influencing Australia's productivity and living standards is pursued through five major outputs. The principal developments in these activities during 2006-07 were as follows.

Public inquiries and other commissioned studies

The Commission had six public inquiries and six government-commissioned research studies underway at some time during 2006-07. In addition to completing seven references from the previous year, it received five new projects, continuing the broad span of policy issues and the mix between inquiries and research studies evident in recent years (figure 2.1).

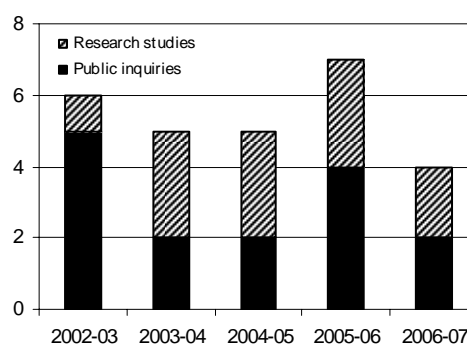
The Commission completed four inquiries commenced in the previous financial year on waste management; road and rail freight infrastructure pricing; Tasmanian freight subsidy arrangements; and the price regulation of airport services.

Two new inquiries commenced in 2006-07.

- The inquiry on Australia's consumer policy framework is the first substantial review in over two decades. The Commission has been asked to report on ways to improve the regulatory framework to assist consumers to operate effectively in increasingly complex markets, improve the harmonisation and coordination of consumer policy and its development and administration across jurisdictions in Australia, and avoid regulatory duplication and inconsistency.
- The inquiry on the market for retail tenancy leases in Australia arose from the concerns of some small business tenants about the difficulties they face in entering into commercial leases over which they feel they have little or no control and industry concerns about disparate retail tenancy laws across the States and Territories.

During 2006-07 the Commission finalised three government-commissioned research studies commenced in the previous year — on rural water use and the environment; standard setting and laboratory accreditation; and public support for science and innovation. In addition, the Commission commenced and completed in

Figure 2.1 **References on hand**
Number at 30 June



the year, a study on performance benchmarking of Australian business regulation. This study required the development of a range of feasible quantitative and qualitative performance indicators and reporting framework options to inform subsequent benchmarking of regulatory burdens on business.

The Commission commenced the first of the Commonwealth's annual reviews of regulatory burdens on business, as well as a study on local government revenue raising capacity that is to provide a clearer picture of local governments' financial capacities and the sources of revenue available to them.

Since 30 June 2007 the Commission has received references on chemicals and plastics regulation, the second stage of business regulation benchmarking and a safeguards inquiry on pigmeat imports that, in addition, requires an accelerated report by 14 December 2007 on whether provisional safeguard measures are warranted.

Further information on public inquiries and the commissioned research studies undertaken by the Commission during 2006-07 and, where available, government responses to reports, is provided in appendices B and C.

Performance reporting and other services to government bodies

The Commission has provided the Secretariat to the Steering Committee for the Review of Government Service Provision since 1993. The collaborative efforts of more than 80 Commonwealth, State and Territory government agencies contribute to the Steering Committee's two major outputs: the Report on Government Services and the Overcoming Indigenous Disadvantage report. In addition, the Secretariat is represented (as a member or observer) on many national and intergovernmental advisory groups developing priorities and strategies for improved reporting, as well as providing expert advice to data collectors and users on concepts, definitions and classifications.

The *Report on Government Services 2007* was the twelfth in this series. The Report provides comparative information on the performance of 14 government service delivery areas that contribute to the wellbeing of Australians — spanning education, health, justice, community services, emergency management and housing. These services collectively account for more than \$100 billion of government recurrent expenditure, equivalent to 11 per cent of gross domestic product. A separate Indigenous Compendium was also published, providing an easily accessible collation of data from the Report relating to the delivery of services to Indigenous Australians.

The Review strives for continuous improvement. The 2007 Report included new indicators for public hospitals and services for people with a disability. There was also improved reporting on aspects of vocational education and training, public hospitals, aged care services, services for people with a disability, children's services, child protection and support services, and housing.

In April 2002 COAG asked the Steering Committee to produce a regular report on key indicators of Indigenous disadvantage, as part of the COAG reconciliation commitment. COAG set two core objectives for this reporting:

- to inform Australian governments about whether policy programs and interventions are achieving improved outcomes for Indigenous people
- to be meaningful to Indigenous people themselves.

Three editions of the report *Overcoming Indigenous Disadvantage: Key Indicators* have been released, in November 2003, July 2005 and June 2007. The third edition showed that many Indigenous people have shared in Australia's recent economic prosperity, with improved employment outcomes and higher incomes. There have also been improvements in some education and health outcomes for Indigenous children. However, even where improvements have occurred, Indigenous people continue to do worse than other Australians, and many indicators have shown little or no change. In some key areas, particularly criminal justice, outcomes for Indigenous people have been deteriorating.

The Report encouraged efforts to improve data on outcomes for Indigenous Australians, noting that there are significant data gaps in some critical areas. There are currently no comparative data on school attendance or learning outcomes for Indigenous children according to the degree of regional remoteness, and hospitalisation data for Indigenous people in the two largest States (NSW and Victoria) were too poor to be published.

The Commission's standing responsibilities under its performance reporting activity also include a program of research on the performance of Australia's economic infrastructure industries and the impact of related microeconomic reforms.

Financial performance monitoring of government trading enterprises (GTEs) forms part of this research stream and was the major activity during 2006-07. The 2006 report, released in July 2006, included the first outputs of a new research program on the capital management of GTEs, initially covering capital structures and equity withdrawals. Capital structures were examined because of their importance in influencing incentives for management to maximise shareholder returns and operational efficiency. Equity withdrawals have been governments' dominant instrument for capital restructuring in recent times, but they have been controversial

because of claims that the withdrawals have been to the detriment of GTE balance sheets and the services GTEs provide.

The Commission's 2007 report covering GTE performance in the period 2004-05 to 2005-06 was released in July 2007. It included an examination of the influence of different asset valuation methods and rate of return measures on performance comparisons and capital management. The report found that after almost two decades of reform, many GTEs are insufficiently profitable to achieve a commercial rate of return on their assets. Indeed, although governments have given undertakings to operate their businesses on a fully commercial basis, more than half of those GTEs monitored continued to earn a return on assets below the risk-free rate. This picture of under-performance reinforces the need for efficient capital management.

Further information on performance reporting activities in 2006-07 is provided in appendix B.

Regulation review activities

The Productivity Commission has a role in helping to achieve better regulatory processes and outcomes through the Office of Best Practice Regulation (OBPR, formerly the Office of Regulation Review). The OBPR advises more than 60 departments, regulatory agencies, statutory authorities and national standard-setting bodies, and about 40 ministerial councils, on processes for the development of regulatory proposals and for the review of existing regulation. It reports annually on compliance with regulatory impact analysis requirements of the Australian Government and COAG. It also provides training on regulatory best practice to these bodies.

On 15 August 2006 the Australian Government announced its response to the recommendations of the report *Rethinking Regulation: Report of the Taskforce on Reducing Regulatory Burdens on Business*. The Government agreed in full or in part to 158 of the 178 recommendations, including:

- strengthening the Regulation Impact Statement (RIS) adequacy requirements
- introducing 'gate-keeping' requirements for regulatory proposals
- mandating assessment of compliance costs using the Business Cost Calculator or an approved equivalent method
- developing cost-benefit analysis capabilities within departments and agencies
- adopting a whole-of-government policy on consultation
- broadening the training and advisory role of the Office of Regulation Review.

The purpose of the regulatory impact analysis process is to ensure that proposed regulation will be the most efficient and effective means to address a policy issue or problem. The process includes preliminary assessments, analysis of compliance costs and RISs. The process requires agencies to follow a consistent, systematic and transparent process for assessing appropriate policy approaches to problems. It aims to ensure consideration of the social and environmental as well as the economic impacts of any proposed regulation. This includes an examination of alternative approaches and an assessment of likely impacts on different groups and the community as a whole. A RIS or report on compliance costs can assist government by providing relevant information to the decision maker. In addition, after the decision is made and the RIS or report on compliance costs is made public, it provides a transparent account of the factors behind that decision.

The OBPR seeks to promote efficient and effective regulation by providing advice on, and monitoring compliance with, the Australian Government's requirements for regulation making (box 2.2). It also examines and provides advice on similar processes for ministerial councils and national standard-setting bodies.

Competitive neutrality complaints activities

The Productivity Commission administers the Australian Government's competitive neutrality complaints mechanism. Competitive neutrality requires that government businesses not have advantages (or disadvantages) over their private sector rivals simply by virtue of their public ownership.

The Australian Government Competitive Neutrality Complaints Office operates as a separate unit within the Commission. Its function is to receive and investigate complaints and provide advice to the Treasurer on the application of competitive neutrality arrangements. The Office received one written complaint in 2006-07. This complaint proceeded to formal investigation and a report will be released in 2007-08.

The Office also provides informal advice on, and assists agencies in, implementing competitive neutrality requirements. During 2006-07 the Office provided advice around three times a week, on average, to government agencies or in response to private sector queries.

Details of the complaint, action taken, and the advisory and research activities of the Australian Government Competitive Neutrality Complaints Office, are reported in appendices B and D.

Supporting research activities and annual reporting

The Commission has a statutory mandate to undertake research to complement its other activities. It must also report annually on these matters, including on the effects of assistance and regulation, and has a wider information role in promoting public understanding of the trade-offs involved in different policy approaches and how productivity and the living standards of Australians can be enhanced.

Box 2.2 Compliance with regulatory impact analysis requirements in 2006-07

The Productivity Commission is required to report annually on compliance with regulatory impact analysis requirements. Its report for 2006-07 indicates:

- The Australian Government made about 2300 regulations. The OBPR provided advice on 780 regulatory proposals, of which 163 proposals required further regulatory analysis. About 4 per cent of all regulatory proposals made in 2006-07 required a regulatory impact analysis.
- Compliance with the Government's regulatory impact analysis requirements at the decision-making stage in the regulatory policy development process was higher than in previous years.
 - Under the previous RIS requirements, 54 adequate RISs were prepared of the 63 required, resulting in a compliance rate of 86 per cent (compared to an average compliance rate of 80 per cent in the previous three years).
 - Under the enhanced regulatory impact analysis requirements, two assessments of business compliance costs were prepared (100 per cent compliance) and 15 adequate RISs were prepared of the 16 required, resulting in a compliance rate of 94 per cent.
- In 2006-07 five RISs were required at the decision-making stage for regulatory proposals that the ORR/OBPR identified as having a highly significant impact on business and individuals or the economy. Under the previous RIS requirements, four RISs were required and prepared. Three were assessed as adequate. Under the new regulatory framework, one RIS was required but not prepared or granted exceptional circumstances status (and will require a post-implementation review).
- In relation to COAG's regulatory impact analysis requirements, 31 adequate RISs were prepared of the 33 required at the decision-making stage, resulting in a compliance rate of 94 per cent.

Further compliance details, including performances for individual departments and agencies, as well as for ministerial councils and national standard-setting bodies, are provided in the *Best Practice Regulation Report 2006-07* (PC 2007).

The development of themes and projects for the Commission's program of supporting research is guided by government statements on policy priorities, including potential commissioned work; parliamentary debate and committee work; and wide ranging consultations with Australian Government departments, business, community and environmental groups, and academics.

Following consultations in Melbourne and Canberra in July 2006, the Commission reaffirmed that its supporting research program would continue to emphasise the sustainability of productivity improvements, including environmental and social aspects. The program for the following two years is to include work on:

- productivity and its determinants
- environmental and resource management
- labour markets
- development of economic models and frameworks (PC 2006a).

In addition to its Research Paper informing COAG on the potential benefits of the National Reform Agenda, the Commission published research during 2006-07 on various aspects of labour force participation — international comparisons of workforce participation rates, an analysis of Australian men neither working nor looking for work, and the effects of health and education on labour force participation — as well as emissions trading, Australia's potential for productivity growth and statutory annual reporting (box 2.1).

Further information on the Commission's supporting research activities and publications in 2006-07 is provided in appendix E. This also details the 79 presentations given by the Chairman, Commissioners and staff during the year to ministerial councils, industry and community groups, and conferences. These presentations covered the gamut of the Commission's inquiry, research, performance reporting and regulatory review work (table E.1). The Commission briefed 35 international delegations and visitors during 2006-07, with a particular focus on the Commission's role and activities and related policy issues (table E.2).

Transparent and consultative processes

A distinctive feature of the Commission is its open, consultative processes and the scope they provide for people to participate in and scrutinise its work. These processes are integral to its operation. They ensure that the Commission's research and policy advice are tested publicly and are therefore more robust. They also provide a public demonstration of the Commission's independence from the various arms of government and the interest groups with which it comes in contact.

Open inquiry procedures

The Commission's public hearing process, public access to the submissions made to its inquiries and the publication of draft and final inquiry reports are among the better known aspects of its operations. An indication of the extent of consultation undertaken by Commission is that during the course of its public inquiry activities in 2006-07, it met with more than 130 people, organisations or groups; held 28 days of public hearings; and received more than 420 submissions from participants.

The Commission has adapted its inquiry consultative processes to suit the variety of research studies commissioned by the Government. These studies typically require less public interaction than inquiries, but the Commission nevertheless provides opportunities to obtain feedback on its analytic framework and preliminary findings and, where applicable, draft recommendations. For example, the Commission received around 480 submissions to these studies in 2006-07, more than half of which were to the study on public support for science and innovation. Visit programs and targeted roundtable discussions provide opportunities to engage with key participant groups on the issues of concern to them and to gain feedback on the Commission's analysis.

The nature of the Commission's consultative and transparent processes in the past year is illustrated in box 2.3. These examples also demonstrate initiatives to ensure that the views and experiences of people living in regional areas are taken into account.

Enhancing its own research capabilities

The Commission continues to involve outside policy advisers and researchers in its work. Roundtables, workshops and other forums provide valuable opportunities to utilise wider sources of expertise in its inquiries and research. From time to time the Commission also utilises specialist external expertise.

For example, in order to help refine and improve proposed approaches and to narrow areas of contention in its research on the potential benefits of the National Reform Agenda, the Commission:

- contracted the Centre of Policy Studies at Monash University to update the MMRF model to include a more detailed treatment of government finances and the fiscal effects of the goods and services tax and a revised treatment of the transport and energy sectors — an update that was facilitated by the ABS advancing publication of its 2001-02 input-output tables

Box 2.3 **Open and transparent processes are integral to the Commission's work**

The Commission seeks to facilitate public participation in, and the transparency of, its inquiries and commissioned research studies to the maximum extent possible. For example:

In its inquiry on *road and rail freight infrastructure pricing* the Commission:

- notified around 1500 individuals and organisations considered likely to have an interest, including more than 600 regional local government bodies and more than 400 regional media outlets
- provided a presentation to a CRA International Seminar, signalling emerging inquiry issues and early directions, that was placed on the Commission's website
- convened a roundtable in Emerald, Queensland, to discuss potential regional and remote impacts of infrastructure pricing reforms and another roundtable in Canberra on key inquiry issues involving around 40 representatives from the Commonwealth, State, Territory and local governments, peak industry organisations as well as several transport consultants
- conducted public hearings on its Discussion Draft in Brisbane, Sydney, Canberra and Melbourne
- held a roundtable on developing practical steps towards the introduction of more commercially-oriented pricing and more efficient provision of road infrastructure which was attended by about 40 experts from government, industry and academia
- held a workshop with senior rail industry executives to consider issues raised by the Commission's Discussion Draft and, more generally, the future of rail.

In its inquiry on *Tasmanian freight subsidy arrangements* the Commission:

- met with individual producers, shipping companies, government agencies and other interested parties, mainly in Tasmania, after the release of its issues paper
- participated in roundtable meetings in Hobart and Launceston and on King Island
- held draft report hearings in Hobart, Launceston and Melbourne.

For its study on the *performance benchmarking of Australian business regulation*, the Commission:

- sought advice from businesses on their regulatory concerns to ensure that the proposed benchmarking and reporting options would be relevant to them
- consulted all governments so as to understand their expectations for the study and views about benchmarking
- convened two roundtable discussions with government, business and academic representatives to provide feedback on the Commission's draft proposals.

In the course of its inquiry on *waste management*, the Commission used teleconferencing to facilitate the participation of people in regional Victoria, Western Australia, the Northern Territory and Tasmania in its hearings.

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- held a series of workshops at which work-in-progress was discussed with representatives of Commonwealth, State and Territory government agencies, as well as by experts in the areas covered by the NRA and representatives of the Energy Reform Implementation Group
 - organised a separate workshop on the update of the MMRF–NRA model
 - provided regular briefings to a Heads-of-Treasury Subcommittee of Deputies
 - held a workshop in September 2006 to obtain feedback on the Commission’s preliminary results
 - consulted with sectoral experts including officials from five Commonwealth departments, the ACCC, Bureau of Transport Economics, Energy Reform Implementation Group, National Energy Market Company, the Australian Energy Users Association, the Australian Council for Educational Research, academics, and Commonwealth and State Treasury officials.

The Commission also involves outside policy advisers and researchers through hosting or co-sponsoring conferences or roundtables on topics of policy interest. Preparations were underway in 2006-07 for the Commission’s Roundtable on Behavioural Economics and Public Policy, held in early August 2007. Behavioural economics merges psychology, economics and other disciplines to try to understand the way people actually behave in the market place. The Commission’s roundtable explored the application of behavioural economics to public policy development. Invitees to the roundtable included eminent international experts in this field, as well as senior officials, business and consumer representatives, policy analysts and commentators. Papers were made available on the Commission’s website and the proceedings are to be published.

The Commission continued its Visiting Researcher Program which seeks to attract established researchers with an outstanding research record in areas related to the Commission’s main research themes. Visiting Researchers share their knowledge with Commission staff and contribute to the work and intellectual life of the Commission. Dr Geoff Edwards (formerly Associate Professor at La Trobe University) continued as a Visiting Researcher in 2006-07 and Dr Mark Harrison (formerly of the Australian National University and since then an independent economic consultant) joined the program in April 2007 for 12 months.

The Commission invites external speakers to participate in its seminar program so as to enhance its knowledge and skill set across a broad range of economic policy issues, including social and environmental. These seminars provide another way of encouraging intellectual debate within the Commission and improving networks with academic and other experts.

Research program consultations

The Commission regularly holds external consultations with Australian Government agencies, peak industry bodies, and union, environmental and community groups to obtain views on future directions for the Commission's supporting research program and on specific research topics. The views of State and Territory governments are gathered in a separate program of regular consultation visits and other exchanges. Discussions are also held with academics and other interested parties. In addition, the Commission monitors government statements on policy priorities and parliamentary debate and committee work.

Together with contributions from Commissioners and staff, these consultations help set broad directions for the Commission's supporting research. However, the Commission adds to and modifies its research priorities when significant new issues arise and in the light of projects formally requested by government. Details on individual projects are updated on the Commission's website during the year.

Supporting research consultations were held in July 2006 and informed the directions the Commission set for its supporting research program over the subsequent two years (PC 2006a).

Research collaboration

The Commission participates in collaborative research projects with academic institutions. Partners in such research projects in 2006-07 were:

- the National Centre for Social and Economic Modelling (NATSEM, University of Canberra) to develop two models to strengthen the analytical framework for policy review and development
 - a broadly-based health sector model to enable policy makers to assess the distributional consequences of a wide variety of health policy changes (other partner organisations are the NSW Health Department, the Health Insurance Commission, the ABS and the AIHW)
 - a dynamic population microsimulation model with the capacity to assess the future distributional and revenue consequences of changes in tax and outlay programs and thereby aid policy development in the context of Australia's population ageing challenge (other partner organisations include Centrelink, the ABS and 10 Australian Government departments)
- the Australian National University on setting priorities for services trade reform, involving new empirical estimates of barriers to services trade and expanding

cross-sectional datasets on regulatory barriers to trade that can be applied in the analysis of the potential benefits of reform and to trade policy negotiations.

Collaborative projects completed in 2006-07 were with the Melbourne Institute of Applied Economic and Social Research, Melbourne University, on the determinants and effects of enterprise entry and exit on growth and productivity in Australian industry, and with the Centre of Policy Studies, Monash University, to overhaul the widely used MONASH model of the Australian economy and create a MONASH-style model for the US so as to facilitate policy analysis and comparative studies of technology and labour market adjustment.

The result of a collaboration between the Australian Bureau of Statistics and the Commission on the analysis of data on farms that use and trade irrigation water, *Characteristics of Australia's Irrigated Farms 2000-01 to 2003-04*, was released by the ABS in September 2006. The statistical and other information in the joint report is intended to assist researchers identify farm management and resource use practices that contribute to the productive and efficient use of irrigation water. As the accompanying ABS media release noted:

The collaborative arrangement between the ABS and the Productivity Commission was the first of its type between the two organisations and its success demonstrates the potential for research and analysis of ABS data sets. (ABS 2006)

Further collaborative work between Commission staff and the ABS in 2006-07 involved exploratory studies of innovation and business performance using linked firm-level data sets and was published as an ABS Research Paper in September 2007 (Wong et al. 2007).

The Commission is a member of the Global Trade Analysis Project Consortium based at Purdue University in the United States. This membership gives the Commission early access to database updates that are needed in its research, as well as priority access to model training and input to the future direction of model and database development.

Research networks and linkages

The Commission has linkages, domestically and internationally, to research and other organisations through the involvement of Commissioners and staff in research alliances and participation in working groups and forums. For example:

- The Commission is part of a research consortium, comprising the US National Bureau of Economic Research and several Asian research institutes, which arranges the annual East Asian Seminar on Economics. The 18th East Asian Seminar on Economics, held in Singapore in June 2007, focused on financial

sector development in the Pacific Rim. Commission research on productivity and the trade and investment effects of preferential trading arrangements have featured in previous seminars.

- The Commission's Chairman, Gary Banks, is a member of the Advisory Board of the Melbourne Institute of Applied Economic and Social Research and serves on the Board of Advisory Fellows for the Regulatory Institutions Network (RegNet) at the Australian National University, as well as on the Advisory Board of the Economics Department at Monash University. Dr Neil Byron is a member of the World Commission on Protected Areas of the IUCN (World Conservation Union). Commissioner Mike Woods is the Commission's principal contributor to the China Australia Governance Program, chairs the Fiscal Reform Implementation Planning Committee and undertook a number of review and planning missions in China in 2006-07. Commissioners are also members of various advisory boards and committees, including university and non-profit organisations.
- The Secretariat for the Review of Government Service Provision is represented as an observer or member of many national and intergovernmental advisory groups developing priorities and strategies for improved reporting, as well as providing expert advice to data collectors and users on concepts, definitions and classifications.
- Staff members are also involved in such networking activities. Dr Jonathan Pincus, Principal Adviser Research, is a Fellow of the Academy of the Social Sciences in Australia. Assistant Commissioner Lisa Gropp was a Visiting Senior Fellow, Groupe d'Economie Mondiale (GEM) at Sciences Po, Paris, in early 2007. Other members of staff in 2006-07 served on bodies such as the Australian Accounting Standards Board Consultative Group, the OECD's Working Party on Industry Analysis, the International Advisory Committee for the International Productivity Monitor, the ABS Productivity Measurement Reference Group and the executive committee of the Comparative Analysis of Enterprise Data (CAED) international network.
- The OBPR participated in the annual meeting of regulation review units from the States, Territories and New Zealand in Wellington in October 2006. The website developed by the OBPR to share information, the web-forum, is being used by the regulatory review units. The OBPR also met with officials from the IMF, OECD, the Regulatory Impact Analysis Unit of the New Zealand Ministry of Economic Development, and government officials from China, Indonesia, Korea and Brazil. It also responded to requests for information on Australia's regulatory impact analysis requirements from the Portuguese, Belgian and Japanese governments.

Informing and communicating via the internet

Internet technology has facilitated speedier and easier notification of developments in Commission inquiries and community access to the research outputs that inform community debate on microeconomic policy and regulation. The Commission places submissions to inquiries on its website as soon as possible after receipt, thereby increasing opportunities for earlier and less costly public scrutiny of the views and analysis being put to it. Transcripts of public hearings, draft reports and position papers, inquiry circulars and final inquiry reports (when released by the Government) are all posted on the website for ease of access and scrutiny.

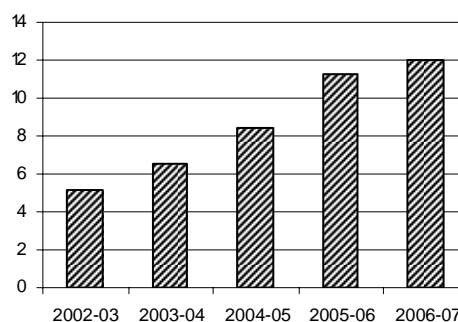
The Commission's website also provides ready access to its other outputs — research publications, Commission submissions to other review bodies, key speeches by the Chairman, competitive neutrality complaints reports, benchmarking studies, OBPR guidance material and reports arising from its secretariat work for the Review of Government Service Provision. The website facilitates on-line registration of people's interest in participating in individual inquiries and studies and to receive updates on more general developments. An email alert service currently notifies more than 800 recipients of significant weekly events including report releases, the start and completion of inquiries and the Chairman's speeches. This service is additional to the email alerts sent to federal parliamentarians, the media, departmental heads and contacts in the States and Territories.

In the 12 months to June 2007 there were more than 157 500 external requests for the index pages of inquiries and government-commissioned research studies current in 2006-07. The projects of most interest were the study on public support for science and innovation (34 400 requests) and the inquiries on airport services pricing (21 500 requests), road and rail freight infrastructure pricing (19 500 requests) and waste management (18 500 requests). Other heavily accessed web pages were for the 2006 and 2007 Reports on Government Services (14 800 and 12 500 requests, respectively) and the 2005 and 2007 Overcoming Indigenous Disadvantage reports (19 300 requests in total). Speeches given by the Commission's Chairman attracted more than 18 000 website requests.

Even after an inquiry or project is completed, community interest can remain high. For example, during the year, web pages for the Commission's 2005 study of the economic implications of an ageing Australia were requested more than 44 300 times in 2006-07 and those for the Commission's 1999 inquiry on Australia's gambling industries were requested about 19 200 times.

The Commission's website, including the OBPR website, received nearly 12 million file requests from external users in 2006-07, a levelling in the activity seen in previous financial years (figure 2.2).

Figure 2.2 Website hits
Million



Feedback on the Commission's work

The Commission actively monitors reaction to, and seeks feedback on, its work in order to improve its performance and contribution to policy making. The results of past surveys were reported in previous annual reports and cover external perceptions about the quality of the Commission's inquiry processes and reports, its reporting on the financial performance of government trading enterprises and the quality and usefulness of its supporting research program. The rolling program of surveys complements the feedback received through comments and submissions on draft reports, position papers, workshop papers and the views expressed during public hearings and consultations on its research program.

In June 2007 the Commission undertook a survey of the quality and readability of its reports in order to identify areas in which its performance could be enhanced. Ninety five per cent of respondents indicated that they found the information and analysis in Commission reports to be 'useful' or 'very useful', although variations were evident across reports and respondent groups, and in responses to subsidiary questions on a range of quality attributes. Respondents were also asked to rate various readability aspects of Commission reports. Eighty one per cent indicated that Commission reports were generally reader friendly and aspects such as the use of tables, charts and jargon and page presentation rated similarly well. The main concern with readability related to the length of reports: although 59 per cent of respondents rated the length to be satisfactory, 40 per cent considered them generally to be too long. Further details on the survey results are in appendix B (pp. 98–9). The Commission is assessing the implications of the survey for the ways in which it engages with, and responds to the views of, the range of potential participants in its work; presents its analysis and conclusions; and can enhance the readability of its reports.

The Steering Committee for the Review of Government Service Provision seeks feedback on the usefulness of the Report on Government Services every three years and uses the feedback to increase the accountability of the Review itself. Seventy-eight per cent of respondents in the 2007 survey were satisfied or very satisfied with the Report. Nevertheless, data comparability, quality and timeliness were identified as areas needing improvement. Further details on the survey results are in appendix B (p. 136). The survey results and the constructive suggestions made by many survey respondents are informing the work of the Steering Committee.

The OBPR continued its ongoing survey of officials preparing RISs to obtain feedback on how departments and agencies view the OBPR's work performance and the quality of its service in providing advice on the Government's regulatory best practice requirements. The OBPR dispatches evaluation forms after each RIS has been assessed. Ninety-three per cent of respondents in 2006-07 rated the quality of the OBPR's written and oral advice as 'good' or 'excellent'. In a separate survey, a total of 92 per cent of respondents in 2006-07 rated the OBPR's training in regulatory best practice as good or excellent. Details are provided in appendix B (pp. 146-8).

In addition to its rolling program of surveys, the Commission monitors less formal sources of feedback on the public record. Of course, views on the value of the Commission's processes and the quality of its outputs can reflect agreement with, or opposition to, specific pieces of Commission analysis or advice. Nevertheless, the examples in box 2.4 help illustrate the breadth of support for the Commission's policy-advising contribution.

The Commission systematically offers recipients of its reports and users of its website the opportunity to provide feedback. The Commission's website has provision for sending comments via email and an on-line survey form and the Commission provides a publication feedback card in reports for mailing comments. The Commission also provides an opportunity for people attending its public hearings to express their views on the organisation and conduct of hearings. Feedback through these mechanisms remains low: less than 50 respondents in total in 2006-07. Most of the feedback was positive. Feedback is forwarded to authors, inquiry teams and management for consideration and action, where required.

Box 2.4 Support for Commission activities: some recent examples

The May 2007 'Statement of Expectations for the Commission' said that the Australian Government viewed Commission advice as 'balanced, objective and thorough'.

Consistent with Commission advice, COAG decided to proceed with inter-jurisdictional benchmarking of business regulation.

Coalition election policies announced intentions for a Commission inquiry on the regulation of Australia's wild catch fisheries, annual benchmarking of the cost of essential infrastructure services for residential land releases, and a review of the dividend policies for capital city water utilities and the transparency of water billing.

Labor Party election policies announced intentions for the Commission to estimate the costs and benefits of harmonising key business regulation across jurisdictions, assess policies to support working parents, measure the contribution of community sector organisations, assess the jurisdictional distribution of net benefits from COAG regulation reforms, and review the telecommunications Universal Service Obligation.

Recent federal parliamentary committee reports recommended a Productivity Commission inquiry on the cost effectiveness of law enforcement bodies and that the Overcoming Indigenous Disadvantage report be expanded to cover the Northern Territory Emergency Response.

The Human Rights and Equal Opportunity Commission recommended that the Commission be asked to report on Australia's early childhood education and care workforce and on the feasibility of superannuation-like arrangements for unpaid carers.

The Australian Consumers' Association requested a Commission review of the price regulation of prescription medicines in Australia.

Peak industry bodies such as the BCA, APPEA, MBA, NSW Business Chamber and the Australian National Retailers Association variously recommended that the Commission review Australia's business tax system, infrastructure policy and condition, greenhouse gas reduction targets, the regulation of onshore and offshore petroleum activities, funding for residential land provision, the distribution of GST revenues, and recent legislative amendments to s. 46 of the Trade Practices Act.

The Group of Eight universities proposed that the Commission advise on relative teaching costs across broad disciplines.

The Energy Reform Implementation Group suggested the Commission could help the Ministerial Council on Energy develop policy more reliably than through ad hoc reviews.

A range of policy analysts variously called for Commission reviews of Australia's quarantine system, reform of Indigenous-specific programs and funding mechanisms, and commissions paid in the financial services industry.

General endorsement of the Commission's role and activities can also be found in the WTO's assessment that the Commission's independence and transparency has facilitated economic reform in Australia, proposals that APEC consider a commission-like body and calls in New Zealand for their own 'productivity commission'.

Details are provided in appendix B.

Policy and wider impacts

All of the Commission's activities in its five output groups are directed at meeting the policy needs of government or otherwise fulfilling statutory requirements. As agreed with the Treasurer, the outcome objective against which the Commission's overall performance is to be assessed 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.

Proper assessment of the Commission's performance is made difficult because it is but one contributor among many to an eventual outcome. Even when its advice or findings are not supported by government, the Commission's independence and view of the long-term public interest can play a significant role in helping governments, parliaments and the community understand the trade-offs in different policy choices. Furthermore, as the Commission's public inquiry and research outputs contribute to public debate and policy development across a range of complex and often contentious issues, its contribution and influence should be assessed over the medium to long term. (These and other considerations in assessing the Commission's overall performance and across each of its five output groups are discussed in appendix B.)

Notwithstanding the difficulties inherent in measures of performance assessment, the influence of the Commission's work is reflected in a range of indicators, including government policy decisions that draw on its analysis and recommendations, and the use of Commission work in policy debate by Federal and State parliamentarians, government agencies, other review bodies, business and community groups and the media.

Influence on government policy making

A general indicator of the Commission's performance was provided by the Parliamentary Secretary to the Treasurer when issuing the Government's Statement of Expectations for the Productivity Commission in May 2007:

At the outset, I would like to make it clear that the Government is very pleased with the overall performance of the Commission. The advice provided by the Commission is balanced, objective and thorough. (Pearce 2007b)

Government decisions on the Commission's inquiry reports and responses to government-commissioned research studies reflect their usefulness to the Government, Parliament and the broader community. During the year the Australian Government announced the following decisions on Commission reports:

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- The Government supported nearly all of the Commission's recommendations on a new price monitoring regime for airport services, including the recommendation to amend Part IIIA of the Trade Practices Act to restore the interpretation prevailing before the Federal Court decision upholding the declaration of the domestic airside services at Sydney Airport.
 - In its response to the Commission's report on the conservation of Australia's historic heritage places, the Government stated that it agreed with the Commission that private owners should not have unreasonable costs imposed on them by heritage listing. However, it was not attracted to the Commission's key recommendation that private owners be given an additional appeal right on this basis. A mix of other recommendations was accepted.
 - The Australian Government endorsed the Commission's overarching principle of subjecting all waste policies to rigorous cost-benefit analysis and other elements of best-practice regulation making. However, it rejected the broad policy framework recommendations in the Commission's report on waste management. The Commonwealth also noted that the States have prime responsibility for domestic waste management policy. Although it would raise some of the Commission's recommendations in the Environment Protection and Heritage Council, policy action in areas such as landfill regulation would be left to individual jurisdictions.
 - In its draft report on Tasmanian freight subsidy schemes, the Commission advised that it could find no sound economic rationale for providing freight assistance to particular Tasmanian shippers. Further, modelling commissioned by the Tasmanian Government demonstrated that the schemes benefit Tasmania, but at a small net cost to the Australian community. The Commission's draft proposal was that the Tasmanian Freight Equalisation Scheme be phased out and the Tasmanian Wheat Freight Scheme abolished. In September 2006 the Prime Minister announced that both schemes would continue. The Commission accordingly focused its final report on reforms which would improve the efficiency and effectiveness of the schemes. The Government accepted the findings and substantive recommendations in the Commission's final report.
 - In noting his opposition to the position on consumer product safety regulation adopted by the majority on the Ministerial Council on Consumer Affairs, the Parliamentary Secretary to the Treasurer stated:

While the Productivity Commission did endorse regulatory harmonisation, it favoured the 'single law, single regulator' model. I want to say ... that I also favour this approach. When it comes to product safety, I strongly agree with the Commission when it says that this approach will provide the best outcomes for both consumers and business. (Pearce 2007a)

Cross-jurisdictional support for Commission proposals in the past year is evident in COAG and other responses.

- In April 2007 COAG broadly endorsed the reform blueprint proposed by the Commission in its report on road and rail freight infrastructure pricing. Further, COAG accepted the Commission's finding that the road freight industry is not subsidised relative to rail freight on either the inter-capital corridors or in regional areas and that the appropriate focus for policy reform is on enhancing efficiency and productivity within each mode.
- Consistent with the Commission's report on the feasibility of, and reporting framework options for, performance benchmarking of Australian business regulation, COAG agreed to proceed to the second stage of the study to benchmark the compliance costs of regulation.
- In reporting on progress in implementing the National Water Initiative, the National Water Commission (2007) noted that the Commission's study, *Rural Water Use and the Environment: The Role of Market Mechanisms*, prepared for the COAG Water Trading Group, 'is a useful input into investigations of regulatory measures to manage environmental externalities'.

Governments do not always accept the Commission's advice or may reject it initially. For example, although initially deferring consideration of a range of Commission recommendations on design elements for workers' compensation schemes, the Government subsequently drew on the Commission's recommendations for a minimum benchmark to define work-related fatalities, injury and disease and the coverage of journeys to and from work and recess breaks in formulating its Safety, Rehabilitation and Compensation and Other Legislation Amendment Bill 2006. Furthermore, following the Commission's 2004 report, *National Workers' Compensation and Occupational Health and Safety Frameworks*, the Minister has steadily expanded self insurance arrangements under the Commonwealth's Safety, Rehabilitation and Compensation Act to 18 firms.

Summaries of recent government responses to Commission reports are in appendix C.

A review of the Commission's inquiry outputs since its inception in 1998 shows that governments typically adopt a substantial majority of recommendations and generally endorse its findings (details are provided in appendix B and table B.7). Further, the nature and extent of references to Commission inquiry reports suggests that those reports materially contribute to policy debates in Federal, State and Territory Parliaments, as well as more generally within the media and general community.

Furthermore, the impact of the Commission's work on policy debates and outcomes can extend over several years. Examples from the past year include the wide use of

the Commission's 2004 inquiry report on the affordability of housing for first home buyers in Federal and State parliamentary debate, policy documents of the major parties preceding the 2007 federal election, the IMF, industry groups and the media; and continuing use of the Commission's reports on gambling (1999) and broadcasting (2000) and analysis of single desk marketing (2000) in parliamentary and wider community debate (box B.2).

Contribution to parliamentary debate

Commission inquiry and research reports, from this and previous years, were used frequently by parliamentarians in debates and questions. During the 2006-07 sittings of the *Federal Parliament*:

- 60 Members and 42 Senators referred to 35 different Commission reports or inquiries, or to the Commission's role in policy processes
- in around three-quarters of the 218 mentions in debates and questions, federal parliamentarians cited the Commission as an authoritative source. Only 2 per cent of mentions were critical of the particular finding, report or Commission attribute referred to
- Commission inquiries and reports which featured most prominently in mentions were those on science and innovation, the Report on Government Services, on national frameworks for workers' compensation and OHS, and on broadcasting.

In addition, there were around 150 mentions of the Commission and its work in the Hansard proceedings of *federal parliamentary committees* in 2006-07. The Commission was mentioned in the proceedings of 16 different committees, most prominently in proceedings of the Senate Standing Committee on Community Affairs, the Senate Standing Committee on Economics (but excluding its Estimates work), the Senate Standing Committee on Employment, Workplace Relations and Education, the House of Representatives Standing Committee on Economics, Finance and Public Administration and the House of Representatives Standing Committee on Health and Ageing. The most frequent mentions were to the Report on Government Services and the reports on public support for science and innovation and on Australia's health workforce.

Thirty one recent parliamentary committee reports referred to 40 different Commission inquiries or research (table B.1). Four federal parliamentary committees either endorsed Commission recommendations or proposed new tasks for the Commission, including an inquiry on the cost effectiveness of law enforcement bodies and expanded reporting in the Overcoming Indigenous Disadvantage report (pp. 100–1).

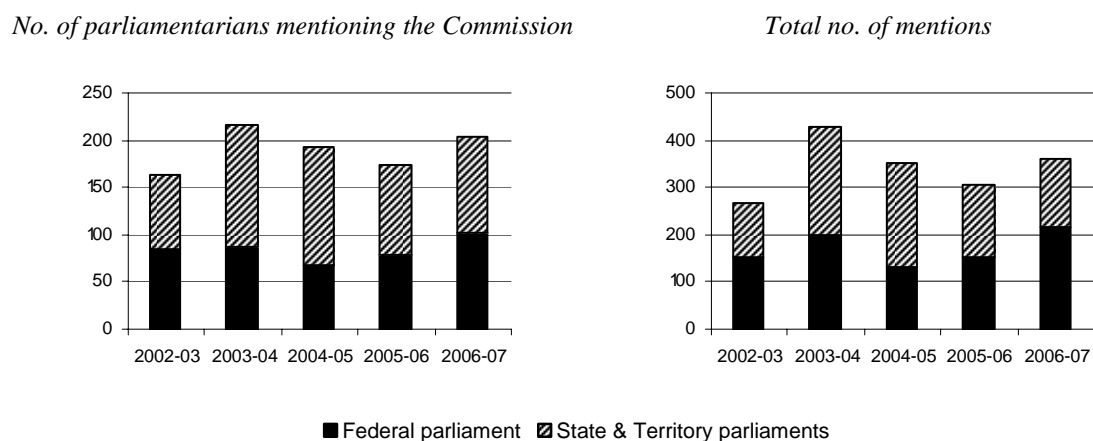
Some 23 Parliamentary Library reports in 2006-07 referred to a variety of Commission inquiry and research reports, as well as to the reports on government services and Indigenous disadvantage (table B.2). Use of Commission outputs by the Australian National Audit Office is also reported in appendix B.

Commission inquiry and research reports, from this and previous years, were used extensively in debate and questions by *State and Territory parliamentarians*. During the 2006-07 sittings of the eight State and Territory parliaments:

- 102 members referred to 20 different Commission publications or inquiries, the Report on Government Services, Chairman’s speeches or to the Commission’s role in policy processes
- in nearly 80 per cent of the 143 mentions in debates and questions, State and Territory parliamentarians cited the Commission as an authoritative source, with 3 per cent of mentions being critical
- nearly 40 per cent of mentions were to the Report on Government Services, with the Commission’s reports on Australia’s health workforce, first home ownership and gambling also featuring prominently.

Recent trends in mentions of the Commission in Federal, State and Territory parliamentary proceedings are shown in figure 2.3.

Figure 2.3 Mentions of the Commission in Australian parliaments, 2002-03 to 2006-07



Other indicators of policy impact

Recognition of the contribution of the Commission’s work to policy formulation and debate is also demonstrated by the following examples:

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- use of Commission analysis in inquiry reports and commissioned-research studies during the year by the Treasurer, Ministers, the Commonwealth budget papers, the Government's *Intergenerational Report 2007*, the Leader of the Opposition and Shadow Ministers, including Commission reports on gambling, the economic implications of an ageing Australia, the economic impacts of migration, Australia's consumer product safety system and first home ownership
 - reference to the Commission's report on the economic implications of an ageing Australia by the IMF, NSW Treasury, industry groups and the Australian Council of Trade Unions, and use of the Commission's review of national competition policy in COAG-related documents, the report of the Energy Reform Implementation Group and by others
 - the use being made of the Report on Government Services by central and line government agencies, State Ministers, parliamentarians, parliamentary committees, Auditors-General, and community and industry groups
 - the strongly supportive feedback from governments and Indigenous people and organisations on the 2007 *Overcoming Indigenous Disadvantage* report and requests for briefings on it; the adoption of its framework by jurisdictions; use of the report by the Aboriginal and Torres Strait Islander Social Justice Commissioner, as well as by community and business groups; and the Chairman's presentation on the report to the second OECD World Forum in Istanbul in June 2007 (Banks 2007)
 - use of the Commission's GTE financial performance report by the Treasurer, State Auditors-General, the Special Commission of Inquiry on Sydney Ferries and in WTO and OECD work
 - the strengthening of regulatory impact analysis through the advisory, guidance and training functions of the Office of Best Practice Regulation and reference to its compliance reporting by the Government, Opposition and international bodies
 - the use made by the Prime Minister, Ministers, the Opposition, State Treasurers, government departments, the Reserve Bank, review bodies, industry and community groups, the WTO, OECD and the IMF of a diverse range of Commission supporting research outputs and, in particular, its evaluation of the potential benefits of the National Reform Agenda; productivity analysis; its submission on emissions trading; analysis of labour market issues; sectoral studies of Australian agriculture, manufacturing and services; assistance estimates and modelling methodologies; and speeches by the Chairman.

One continuing indicator of interest in the Commission's inquiry and other work is the many invitations it accepted in 2006-07 to give briefings and present papers to parliamentary, business and community groups and to conferences (table E.1). As part of a rolling program of briefings for State and Territory governments on the

Commission's work, presentations and visits were made to Queensland and South Australia in 2006-07, and visits to other jurisdictions are scheduled throughout 2007-08. The Commission also responded to requests from visiting officials and delegations from China, Indonesia, Japan, Thailand, Vietnam, Singapore, Chile, Iran, Kazakhstan, Botswana, New Zealand, the UK, US, France, the OECD, WTO and IMF for briefings on the Commission's work and its role in policy advisory processes, and for discussion on policy issues (table E.2).

A further indicator of public interest in the Commission's work, and its potential influence, is the extent of media coverage. During 2006-07, 32 editorials in seven major metropolitan newspapers drew on the findings or recommendations in 25 different Commission reports, or referred to the Commission's role in assisting public policy making. The Commission's reports on the potential benefits of the National Reform Agenda and on public support for science and innovation together accounted for more than one-quarter of all mentions. However, editorialists also drew on the analysis in a wide range of other inquiry and research reports (including those on heritage, rural water, GTE performance, single desk marketing, industry productivity estimates and analysis, government services and Indigenous disadvantage) or referred to the Commission's role or potential role in contributing to policy development. The Commission rated an average of nearly 77 mentions a month in electronic media and an average of 99 mentions a month in print media in 2006-07. The Commission's science and innovation study, its airport services pricing inquiry and the 2007 Report on Government Services received the most coverage.

Indicators of the influence of Commission outputs during the year — its inquiry, performance reporting, regulation review, competitive neutrality work and supporting research — are discussed more fully in appendix B.

Associated reporting

Management and accountability information for 2006-07 is reported in appendix A. The audited financial statements for the Commission are contained in appendix G. In response to the suggestion by the Senate Standing Committee on Economics (2007), the coverage of compliance index at attachment A6 has been expanded to include specific reporting requirements in the Productivity Commission Act.

In association with this annual report, the Commission is preparing two companion publications:

- *Best Practice Regulation Report 2006-07*, which assesses compliance by departments and agencies with the Australian Government's requirements for

the making and review of regulation, reports on the activities of the Office of Best Practice Regulation and provides information on developments in regulatory policy in Australia and internationally

- *Trade & Assistance Review 2006-07*, which reports on trade policy and assistance developments and contains the Commission's latest estimates of assistance to Australian industry.