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# A Management and accountability

**This appendix provides information on the management and accountability of the Commission, as well as additional information in accordance with parliamentary requirements for departmental annual reports.**

## Overview

### Role and structure

The Commission — established under the *Productivity Commission Act 1998* — is the Australian Government's principal review and advisory body on microeconomic policy and regulation. Information about the Commission's objectives is contained in the overview to chapter 2. Further information on the Commission's role is available on its website and in its first annual report (PC 1998, pp. 25–36).

The Commission comprises its Chairman and between four and 11 other Commissioners, appointed by the Governor-General for periods of up to five years. Associate Commissioners can be appointed by the Treasurer for terms of up to five years or for the duration of specific inquiries. The work of the Commission is assisted by employees who are employed under the *Public Service Act 1999*.

The Commission's structure and senior staff at 30 June 2007 are shown in figure A.1.

### Commissioners

At 30 June 2007 there were nine Commissioners, including the Chairman. Six Commissioners were part-time appointments.

Commissioner Tony Hinton retired on 26 March 2007.

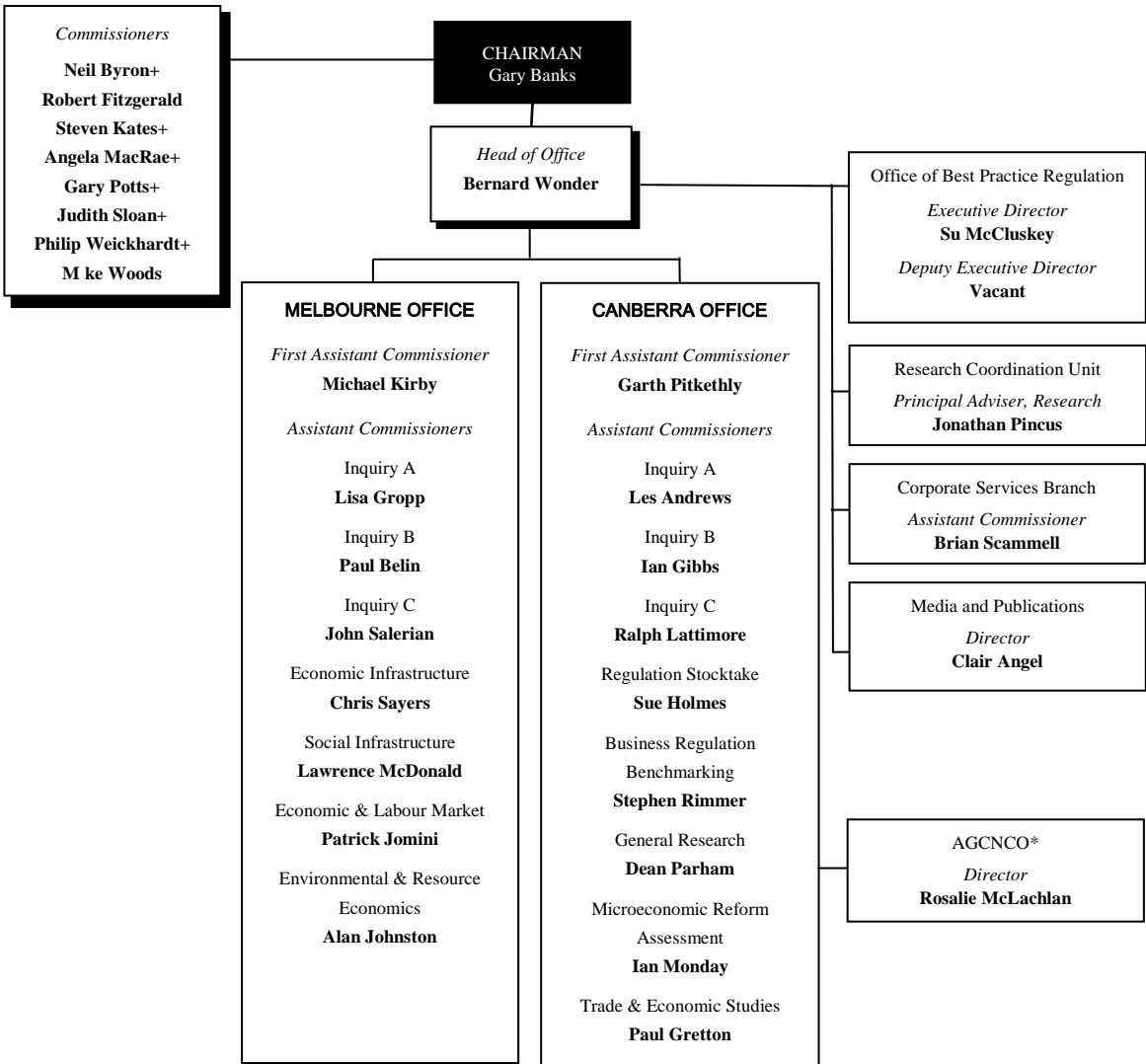
A number of appointments and re-appointments were made during the year.

Dr Neil Byron was re-appointed as a Commissioner from 17 April 2007 for five years. Dr Byron's appointment is as a part-time Commissioner as opposed to his previous appointments which were on a full-time basis.

Ms Angela MacRae was appointed on 19 March 2007 as a part-time Commissioner for three years. Ms MacRae’s career has included appointments with the Australian Public Service, the New Zealand Treasury and the accounting body, CPA Australia. She has also worked as an independent consultant focusing on issues relating to small to medium sized businesses and was a member of the Taskforce on Reducing Regulatory Burdens on Business chaired by Gary Banks.

Biographical information on Commissioners is available on the Commission’s website and their terms of appointment are listed in table A1.1 of attachment A.

**Figure A.1 Productivity Commission structure and senior staff, 30 June 2007**



+ Part-time Commissioners  
\* Australian Government Competitive Neutrality Complaints Office

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## **Associate Commissioners**

At 30 June 2007 two Associate Commissioner appointments were current (table A1.2 of attachment A1).

On 15 March 2007 Professor Cliff Walsh was appointed on a part-time basis for the duration of the research study on local government revenue raising capacity. Professor Walsh is Professor Emeritus at Adelaide University. He has had a long and distinguished academic career, including a period as Director of the Federalism Research Centre at the Australian National University. He has previously held appointments as an Associate Commissioner.

On 15 March 2007 Dr Matthew Butlin was appointed on a part-time basis for the completion of the first phase of the annual review of regulatory burdens on business, focusing on the primary sector. Dr Butlin has held several senior positions in the Australian Public Service and the corporate sector, most recently with Newcrest Mining.

Associate Commissioner appointments completed during 2006-07 are listed in table A1.3 of attachment A1.

## **Staff**

The average staffing level during 2006-07 was 202 compared to 193 in 2005-06.

The Commission recruited 37 staff during the year, including six through its graduate recruitment program. Staff turnover was approximately 18 per cent.

Statistical information on staffing is provided in tables A1.4 to A1.6 of attachment A1.

## **Outcome, outputs and resources**

The financial and staffing resources devoted to the achievement of the Government's desired outcome objective for the Commission — outlined on page 26 — through the provision of five mandated outputs, are summarised in table A.1. Further information on these matters is provided in appendix B.

**Table A.1 Financial and staffing resources summary**

	<i>Budget 2006-07</i>	<i>Actual 2006-07<sup>a</sup></i>	<i>Budget 2007-08<sup>b</sup></i>
<b>Price of Outputs</b>	\$'000	\$'000	\$'000
Output 1.1 – Government commissioned projects	14 145	14 510	14 310
Output 1.2 – Performance reporting and other services to government bodies	4 710	4 221	4 510
Output 1.3 – Regulation review activities	6 595	3 942	6 718
Output 1.4 – Competitive neutrality complaints activities	200	220	200
Output 1.5 – Supporting research and activities and statutory annual reporting	6 686	6 220	6 760
<b>Total Price of Outputs</b>	<b>32 336</b>	<b>29 113</b>	<b>32 528</b>
Revenue from Government	32 251	32 251	34 443
Revenue from other sources	85	209	85
<b>Total Resources</b>	<b>32 336</b>	<b>32 460</b>	<b>34 528</b>
	<i>2006-07</i>	<i>2006-07</i>	<i>2007-08</i>
Commissioner/staff years (number)	220	202	218

<sup>a</sup> Actual expenditure across output groups responds to demands during the year, particularly work commissioned under terms of reference by the Government. <sup>b</sup> As estimated for the 2007-08 Portfolio Budget Statements.

## Governance

The Commission's governance arrangements are designed to achieve efficient, effective and ethical use of resources in the delivery of the Commission's mandated outputs. The arrangements are also designed to ensure compliance with legislative and other external requirements in regard to administrative and financial management practices.

In keeping with good governance principles, the Commission's governance arrangements encompass:

- establishing clear responsibilities for decision making and the undertaking of mandated activities
- ensuring accountability through the monitoring of progress, and compliance with legislative and other requirements, of mandated activities
- underpinning these arrangements through the promotion of a risk management and ethical behaviour culture.

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## **Key responsibilities**

The Commission's Chairman is responsible for the overall management and governance of the Commission.

He is assisted in these tasks by the Head of Office and a Management Committee which addresses matters of strategic direction, organisational development, policies and practices, monitoring of performance and resource allocation. Management Committee comprises the Chairman (as chair), the Head of Office, the Melbourne and Canberra First Assistant Commissioners and the Assistant Commissioner, Corporate Services. It meets monthly, or more frequently as necessary.

The Research Committee is responsible for approving research proposals and ensuring that these are consistent with the Commission's objectives and current research themes. More generally, it also promotes the effectiveness and efficiency of the Commission's research program. It meets monthly and comprises the Principal Adviser Research (chair), the Chairman, the Head of Office, the Melbourne and Canberra First Assistant Commissioners, two research Assistant Commissioners and the Media and Publications Director.

Commissioners have a role in strategic coordination and are responsible for the conduct of the individual inquiries, studies or other activities to which they are assigned by the Chairman. Responsibility extends to the quality, timeliness and resource use aspects of the assigned project or activity.

## **Accountability**

Management Committee's monitoring of the Commission is aided through the provision of regular reports covering staffing, expenditure, staff development and other operational matters.

Monthly Commission meetings — also attended by the most senior staff — are used to discuss and monitor progress across the Commission's five mandated outputs. Specifically:

- presiding Commissioners on government-commissioned projects report monthly on significant issues and progress against key milestones
- the Research Committee reports on a quarterly basis on the status and future directions of the research program
- the activities of the Steering Committee for the Review of Government Service Provision, chaired by the Chairman of the Commission, are reported on a quarterly basis

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- the Chairman also oversees the work of the Office of Best Practice Regulation, which provides quarterly reports on its activities
  - one Commissioner is designated with responsibility for competitive neutrality issues, and also reports to the Commission on a quarterly basis
  - the Head of Office provides Commissioners with a monthly update on key management issues.

The Audit Committee is a further source of accountability through its periodic review of particular aspects of the Commission's operations. Its membership comprises a chairperson (currently a Commissioner) and two senior members of staff. The Commission's external auditors generally attend meetings, as does a representative of the Australian National Audit Office on an 'as required' basis. The Audit Committee meets at least three times a year.

## **Risk management and fraud control**

Risk assessments are undertaken within a formal risk management model specified in the Commission's risk management plan. The plan is reviewed annually by senior management and the Audit Committee.

The Commission has prepared a fraud risk assessment and fraud control plan and has in place appropriate fraud prevention, detection, investigation reporting and data collection procedures and processes that meet the specific needs of the Commission and comply with the Commonwealth Fraud Control Guidelines. No instances of fraud were reported during 2006-07. The Chairman's certification in respect of fraud control is at attachment A2.

Information about the Commission's risk management procedures is available to all employees. It is brought to the attention of new employees on commencement, and awareness raising for existing employees is undertaken periodically.

## **Ethical standards**

The Commission has adopted a range of measures to promote ethical standards.

- It has embraced the Australian Public Service (APS) Values and Code of Conduct. The Commission's various employment agreements contain a commitment from employees to at all times conduct themselves in a manner consistent with the Values and Code.
- All employees have been provided with a copy of the Values and Code, while new employees receive a copy as part of their induction.

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- Senior managers in particular are encouraged to set an example through the ethical and prudent use of Commonwealth resources.

The Commission has developed a number of specific policies relating to ethical standards which have regard to its own operational context. These deal with matters such as email and internet use, harassment and bullying, discrimination, fraud, disclosure of information, and managing conflicts of interest. The policies are readily available to all employees. Staff awareness and training sessions are offered in these topics.

## **External and internal scrutiny**

The Commission's transparent and consultative processes, which provide for community participation and scrutiny of its work, are a key means of promoting external scrutiny. These processes are outlined in some detail in the corporate chapters of the Commission's annual reports.

External scrutiny is also promoted through the Commission's extensive reporting, in various publications, of different aspects of its work. This annual report is an example and, in particular, appendix B provides an account of the Commission's performance in its five output groups.

Both the Commission and the Australian Government Competitive Neutrality Complaints Office (which has separate functions although located within the Commission) have service charters.

Performance against the charters is monitored on an exceptions basis — that is, by complaints to designated senior managers. No complaints were received during 2006-07 in respect of either charter.

The Auditor-General issued an unqualified independent audit report on the Commission's 2005-06 financial statements.

References to particular reports of the Commission made by federal parliamentary committees during the year are detailed in appendix B. In addition, the Senate Standing Committee on Economics (2007) commented that the Commission's 2005-06 Annual Report complied with statutory requirements but suggested that the compliance index be expanded by referring to specific reporting requirements in the Productivity Commission Act. The compliance index for this annual report is at attachment A.6.

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Internal scrutiny occurs through an ongoing review program of policies, procedures and activities for effectiveness, efficiency and public accountability. Particular matters addressed during the year included:

*Website:* The Commission's website continues to grow in importance as a source of information about the current work of the Commission, its publications and other activities. During 2006-07 the Commission commenced a project to improve website content management. The new content management system is scheduled to be implemented in late 2007.

*Information technology:* Maintenance and upgrade of Commission ICT infrastructure has continued including:

- replacement of the PABX in the Commission's Melbourne office
- upgrades to the network infrastructure and data storage
- advances in remote connection for staff.

*Internal Audit:* The Commission engaged an accounting firm, PKF, to conduct a program of internal audits over a three year period commencing in 2006-07. The initial audits have focused on purchasing, accounts payable and payroll. No control or compliance deficiencies involving unacceptable risk were identified.

*Audit Committee:* The Audit Committee also plays an important internal scrutiny role. The Committee's efforts during the year related mainly to:

- oversight of the Commission's internal audit program
- consideration of the annual financial statements, and associated issues
- scrutiny of the Commission's risk management, fraud control and agency security plans
- reviews of relevant ANAO reports
- progressing the development of a formal business continuity plan.

## **Management of human resources**

The Commission's human resources management operates within the context of relevant legislation, government policy and Commission-developed policy. Day-to-day management is devolved to senior managers within a broad framework agreed by Management Committee. The Committee routinely monitors the performance of people management functions through a range of feedback mechanisms, including through standing reports to its monthly meetings.



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## **Workforce planning**

Management Committee plays the key role for ensuring alignment between the Commission's resources and its future capability requirements.

The Commission regularly considers a range of workforce planning issues associated with the attraction, retention and development of staff. In particular, the Commission has been actively monitoring the age profile of its workforce and is seeking to retain mature aged employees by making available measures such as flexible working arrangements and a willingness to consider superannuation issues for some key employees approaching age 55.

The Commission reviews its graduate recruitment process annually with a view to increasing the awareness of graduating university students of the Commission as a potential employer. Six new employees were engaged during 2006-07 through the Commission's graduate recruitment program.

An important input to workforce planning is the information obtained from departing employees through exit questionnaires and, in many cases, personal interviews on exit. Such information is considered regularly by Management Committee and applied to a variety of initiatives including conditions of service, developing workplace agreements, and employee retention strategies.

## **Remuneration and employment conditions**

All Commissioners, aside from the Chairman, are part of the Principal Executive Office structure established by the Government. The Chairman, as the 'employing body', is responsible for determining Commissioners' remuneration within guidelines and parameters set and reviewed by the Remuneration Tribunal. The Chairman's remuneration continues to be set directly by the Tribunal.

The Commission's 22 Senior Executive Service (SES) employees are all employed under Australian Workplace Agreements (AWAs). SES remuneration is set in the context of public and private sector benchmarks, including those contained in the APS SES Remuneration Survey conducted for the Department of Employment and Workplace Relations.

Information on Commissioners and SES employees who received total remuneration of \$130 000 or more is set out in Note 12 to the Financial Statements (appendix G).

Two non-SES employees have negotiated AWAs.

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During the year a new collective agreement was negotiated with the Commission's employees under the *Workplace Relations Act 2006*. The agreement has a nominal expiry date of 20 February 2010. The levels of remuneration and terms and conditions of employment of approximately 170 employees are covered by the Commission's collective agreement.

As in previous agreements, there is a strong emphasis placed on performance outcomes as the means of achieving remuneration increases. The agreement also includes a number of provisions aimed at providing work/life balance and a satisfying and rewarding work environment for employees.

APS salary ranges which correspond to the Commission's broadbanded classifications are shown in the collective agreement which is available on the Commission's website.

## **Performance management and pay**

All employees participate in the Commission's performance management scheme. The scheme seeks to:

- clarify the understanding by individual employees of their work tasks, their responsibilities and the performance standards expected (through performance agreements)
- provide feedback on performance and improve communication between supervisors and their staff (through performance appraisals)
- provide a basis for determining salary advancement and performance bonuses
- identify learning and development needs
- assist in identifying and managing underperformance.

Ahead of each appraisal round — which occurs at six monthly intervals — senior staff attend 'context setting' meetings to promote a consistent approach to the appraisal process and outcomes.

Training is conducted for new employees and new managers to ensure employee readiness for the appraisal round. In addition, during the past year training sessions were provided to all managers to hone their skills on delivering performance feedback to their employees. During the next year it is planned to deliver training for all employees in receiving performance related feedback.

Appraisal outcomes influence salary advancement and performance bonuses. Under the collective agreement, bonuses of 3 per cent of salary are paid to those

employees who achieved the highest performance rating. For SES employees, somewhat higher bonuses are able to be achieved, in keeping with the policy of having a higher proportion of SES employees' remuneration 'at risk'. For Principal Executive Offices, bonuses of up to 15 per cent of total remuneration are available within the Remuneration Tribunal framework.

Performance bonuses payable for 2006-07 are summarised in table A.2.

**Table A.2 Performance bonuses payable for 2006-07**

<i>Classification level</i>	<i>Employees receiving bonus</i>	<i>Total bonuses paid</i>	<i>Average bonus paid</i>
Staff Level 1	10	10 748	1 075
Staff Level 2	7	6 360	909
Staff Level 3	18	26 108	1 450
Staff Level 4	20	37 489	1 874
SES	22	201 292	9 150
Principal Executive Officers	8	91 173	11 397
<b>Total</b>	<b>85</b>	<b>373 170</b>	<b>4 390</b>

## **Consultative arrangements**

The key employee consultative mechanism is the Productivity Commission Consultative Committee (PCCC). The PCCC comprises five elected employee representatives and four management representatives, with union representation possible at the invitation of the Committee's employee representatives.

The PCCC is suspended during the negotiations for a new collective agreement as all employee consultations during this period are carried out by the negotiating committee. The negotiating committee met on 13 occasions between June 2006 and October 2006. Employees voted in favour of the new collective agreement in February 2007. The PCCC reconvened in April 2007 and met on the one occasion before the end of the year to discuss a range of workplace issues, including the implementation of the new collective agreement.

In addition, direct consultation between management and employees occurs on a regular basis, including through the Chairman's 'all staff' meetings, a range of topic-specific committees, and regular team and branch meetings.

The Commission also undertakes a biennial staff opinion survey. The survey seeks staff views on a range of organisational and management issues, designed to help identify areas where current practices could be improved and ways to provide a

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better working environment for staff. The next survey is scheduled to be conducted in 2007-08 and will have a stronger focus on employee engagement.

## **Learning and development**

The Commission encourages employees to undertake learning and development in an appropriate mix of four core competencies:

- management and leadership
- conceptual and analytical skills
- time and work management
- oral and written communication.

The need for learning and development can be employee identified (including through individual development plans settled with supervisors as part of performance appraisals), be supervisor encouraged or directed, or reflect organisation-wide initiatives.

Recorded expenditure on learning and development in 2006-07 was 2 per cent of the annual salary budget, the same as the previous year. This expenditure related to:

- 168 employees who undertook a total of 559 days of specific training and development
- 24 Staff Level 1 employees and 40 Staff Level 2 employees who attended two-day general development programs
- 10 employees who received studies assistance in the form of paid leave and assistance with fees in the pursuit of tertiary qualifications
- one employee undertaking the Masters of Public Administration delivered by the Australia and New Zealand School of Government.

The above activities are in addition to one-on-one coaching to address particular development needs and extensive on-the-job training within the Commission.

## **Occupational health & safety (OHS)**

An OHS Committee oversees the Commission's health and safety program. Committee membership includes health and safety representatives and staff observers from both offices. The Committee met three times during 2006-07.

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Consultation with employees on new health and safety arrangements commenced during 2006-07, following changes to OHS legislation during the year. The new arrangements are expected to be in place early in 2007-08.

New OHS activities during the year included:

- vision health and awareness seminars
- BeyondBlue seminars on depression
- First Aid Officer briefings on the Commission's Pandemic Plan
- reception and relief employee refresher training on emergency procedures
- learn to touch type software package
- safe mail handling procedures for administrative employees
- review of ergonomic assessment procedures related to induction and injury management with the Commission's Rehabilitation Case Managers and Ergonomists.

Ongoing OHS activities during the year included:

- Commission funded flu vaccinations (with a take-up of around 42 per cent of employees)
- ergonomic work station assessments (77 were completed including 40 as part of the induction program. They are provided for all new employees as well as existing employees who require advice, particularly after a workplace relocation.)
- regular workplace hazard inspections conducted by members of the OHS Committee
- desk calendars for all employees promoting emergency evacuation and threat procedures
- the opportunity for employees to complete working hours questionnaires
- screen based equipment eyesight testing.

Training is provided for employees who have specific OHS related responsibilities.

No formal OHS investigations were conducted during the year and the Commission was not required to give any notices under section 68 of the *Occupational Health and Safety Act 1991*. No notices under sections 29, 46 or 47 of that Act were given to the Commission during 2006-07.

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An indicator of the effectiveness of the Commission's OHS programs is Comcare's workers' compensation rate. The Commission's rate for 2006-07 was assessed at approximately one-third of the rate for the whole-of-Australian Government pool.

## **Employee Assistance Program**

The Commission offers its employees independent, confidential and professional counselling, consultation and training assistance for work-related or personal issues. The service is provided by the OSA Group. Fifteen employees or their families utilised the service in 2006-07.

## **Workplace diversity**

The Commission continues to foster a culture that is supportive of employees achieving their potential and which values employee diversity. This is facilitated through the commitment — in the Commission's collective agreement, equity and diversity plan and related policies — to promote workplace diversity.

A working group was established during 2006-07 to examine possible barriers to the employment and promotion of females in the Commission and ways to address the current imbalance. A plan has been developed to implement measures in response to the working group's findings.

A mature-age employees policy has been introduced to optimise the contribution and job satisfaction of mature-aged employees.

## **Commonwealth Disability Strategy**

The Commonwealth Disability Strategy is designed to help agencies improve access for people with disabilities to their services and facilities. Attachment A3 provides a summary of the Commission's performance in this area during 2006-07.

## **Financial performance**

The Productivity Commission is a prescribed agency under the *Financial Management and Accountability Act 1997*.

The annual Appropriation Acts provide the major source of revenue for the operations of the Commission.

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The operating result for 2006-07 was a \$3.3 million surplus (\$0.7 million in 2005-06). During 2006-07, additional funding was provided to enable the Commission to implement aspects of the Government's regulation reform agenda, as outlined in the joint media statement on 12 October 2005 by the Prime Minister and Treasurer in response to the report *Rethinking Regulation: Report of the Taskforce on Reducing Regulatory Burdens on Business*. Total appropriations and other income increased to \$32.5 million in 2006-07 (\$28.5 million in 2005-06).

Operating expenses also increased in 2006-07 to \$29.1 million (\$27.9 million in 2005-06). The major expenses in 2006-07 were \$22.3 million in respect of employee expenses, \$6.2 million relating to supplier payments, and \$0.6 million in asset depreciation and amortisation.

Table A.1 provides a summary of financial and staffing resources by output. The audited financial statements for 2006-07 are shown in appendix G.

## **Other information**

### **Purchasing**

The Commission applies the *Commonwealth Procurement Guidelines*.

The Commission's purchases of goods and services during 2006-07 were consistent with the 'value-for-money' principle underpinning those guidelines.

### **Consultancies**

The Commission continued to utilise the services of a range of consultants during the year where it was cost effective to do so. Many of the consultancies are for the purpose of refereeing particular pieces of work and are generally of relatively low cost.

During 2006-07, 25 new consultancy contracts were entered into involving total actual expenditure of \$126 369. In addition, three ongoing consultancy contracts were active during the 2006-07 year, involving total actual expenditure of \$103 114. Table A.3 provides information on expenditure on consultants in the five years to 2006-07.

Further information on consultancies, as required by government reporting requirements, is provided in attachment A4. Information on expenditure on contracts and consultancies is also available on the AusTender website.

Table A.3 **Expenditure on consultants: 2002-03 to 2006-07**

	2002-03	2003-04	2004-05	2005-06	2006-07
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenditure	496	251	249	308	229

### Special payments

The Commission made a number of special payments during 2006-07. Such payments were made to organisations and activities judged by management as making a worthwhile contribution to the Commission's outputs. The main payments were as follows:

*Consortium memberships:* \$23 603 for membership of the Global Trade Analysis Project Consortium based at Purdue University in the United States. The Commission's contribution supports the development and updating of a publicly available database and model framework for multi-country trade policy analysis. It gives the Commission early access to database updates that are needed in its research, priority access to model training, and input to the future direction of model and database development.

*Research partnerships:* \$16 500 to the University of Melbourne (MIAESR) for an ARC partnership project on the evolution of Australian enterprises, 1990 to 2007.

*Conference sponsorships:* \$5500 for the 2007 AARES 51<sup>st</sup> Annual Conference; \$5000 for the Tasman Transparency Group Conference/Lowy Institute; \$3000 for the 1<sup>st</sup> General Conference of the International Microsimulation Association; \$2500 for the Australian Labour Market Workshop run by the University of Melbourne (MIAESR); \$2200 for the University of Western Australia PhD Conference 2007; and \$2000 for the Institute of Public Administration Australia National Roundtable on Federalism.

*Awards:* \$1200 each to the top 2006 student, Economics Honours, at Monash University (R H Snape Productivity Commission Prize) and \$1000 to the top 2006 student, Master of Economics, at the Australian National University (Robert Jones Productivity Commission Prize).

### Legal services

Total expenditure on legal services in 2006-07 was \$22 944. Further details are published on the Commission's website, in accordance with *Legal Services Directions 2005* issued by the Attorney-General.



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## Ecologically sustainable development (ESD)

Under the *Environment Protection and Biodiversity Conservation Act 1999*, agencies are required — through their annual reports — to report on ESD and environmental matters. This requirement is part of the Government's program to improve progress in implementing ESD.

The Commission operates under statutory guidelines, one of which is to have regard to the need 'to ensure that industry develops in a way that is ecologically sustainable' (section 8(1)(i) of the *Productivity Commission Act 1998*). This legislation also prescribes that at least one member of the Commission 'must have extensive skills and experience in matters relating to the principles of ecologically sustainable development and environmental conservation' (section 26(3)).

There are five aspects against which agencies are required to report.

The first relates to how an agency's actions during the reporting period accorded with the principles of ESD.

Reflecting its statutory guidelines, ESD principles are integral to the Commission's analytical frameworks, their weighting depending on the particular inquiry or research topic. Examples of Commission projects where different aspects of ESD have arisen have been provided in past annual reports. The 2006 inquiry on waste management and the government-commissioned research study on rural water use and the environment (completed in August 2006) are further examples of policy advice which integrates complex economic, social and environmental considerations.

The second reporting requirement asks how the Government's outcome for the Commission contributes to ESD. As stated elsewhere in this report, the outcome nominated for the 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.

In pursuing this outcome, the Commission is required to take into account impacts on the community as a whole — these may be economic, environmental and/or social. The transparency of its processes provides the opportunity for anyone with an interest in an inquiry to make their views known and to have these considered. Consequently, a broad range of views and circumstances are taken into account, in keeping with the ESD principle that 'decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equity considerations'.

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The third to fifth reporting requirements relate to the impact of the Commission's internal operations on the environment. The Commission is a relatively small, largely office-based, organisation in rented accommodation, and the actions able to be taken are somewhat limited. However, the Commission adopts measures aimed at the efficient management of waste and minimising energy consumption.

In order to manage its impacts on the environment in a systematic and ongoing way, the Commission maintains an Environmental Management System. The Environmental Management System contains the Commission's environmental policy, an environmental management program to address identified impacts, and provision for monitoring and reporting on performance.

During 2006-07 the Commission recorded energy usage of 10 715 MJ/person/annum against the Government's updated energy intensity portfolio target for tenant light and power for office buildings, to be achieved by June 2011, of 7,500 MJ/person/annum.

### **Freedom of information**

No requests were received in 2006-07 for access to information under the *Freedom of Information Act 1982*. A statement encompassing formal reporting requirements is provided in Attachment A5.

### **Advertising and market research**

The Commission publicises its government-commissioned inquiries and studies so that any individual, firm or organisation with an interest has an opportunity to present their views. Publicity takes the form of newspaper advertisements, regular distribution of *pc update*, press releases, an email alert service, notification on the Commission's website and distribution of Commission circulars.

A total of \$160 998 was paid for advertising (including recruitment advertising) in 2006-07 to HMA Blaze Pty Ltd.

### **Publications and submissions**

Appendix F lists all the Commission's publications in 2006-07.

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## Annual reporting requirements and aids to access

Information contained in this annual report is provided in accordance with section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*, section 49 of the *Financial Management and Accountability Act 1997* and section 8 of the *Freedom of Information Act 1982*.

The entire report is provided in accordance with section 10 of the *Productivity Commission Act 1998*.

The annual report has also been prepared in accordance with parliamentary requirements for departmental annual reports issued by the Department of the Prime Minister and Cabinet. A compliance index is provided in attachment A6.

The contact officer for inquiries or comments concerning this report is:

Assistant Commissioner  
Corporate Services Branch  
Productivity Commission  
Locked Bag 2  
Collins Street East Post Office  
MELBOURNE VIC 8003  
Telephone: (03) 9653 2251  
Facsimile: (03) 9653 2304

The Commission's internet home page is at <http://www.pc.gov.au>

This annual report can be found at the above internet address.

Inquiries about any Commission publication can be made to:

Director  
Media and Publications Section  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616  
Telephone: (02) 6240 3239  
Facsimile: (02) 6240 3300

# Attachment A1

## Commissioner and employee statistics

Table A1.1 **Chairman and Commissioners, 30 June 2007**

	<i>Current period of appointment</i>	
	<i>From</i>	<i>To</i>
Mr G R Banks AO (Chairman)	20 May 2003	19 May 2008
Dr R N Byron (M) (p/t)	17 Apr 2007	16 April 2012
Mr R Fitzgerald AM (C)	29 Jan 2004	28 Jan 2009
Dr S I Kates (M) (p/t)	17 Apr 2006	16 Apr 2009
Ms A MacRae (M) (p/t)	19 Mar 2007	18 Mar 2010
Mr G R Potts (C) (p/t)	17 Apr 2006	16 Apr 2009
Prof J Sloan (M) (p/t)	17 Apr 2006	16 Apr 2010
Mr P Weickhardt (M) (p/t)	4 Dec 2003	3 Dec 2008
Mr M C Woods (C)	17 Apr 2006	16 Apr 2011

(C) denotes Canberra based, (M) denotes Melbourne based and (p/t) denotes part-time.

Table A1.2 **Part-time Associate Commissioners, 30 June 2007**

	<i>Inquiry/Study</i>	<i>Period of appointment<sup>a</sup></i>	
		<i>From</i>	<i>To</i>
Dr M W Butlin	Annual Review of Regulatory Burdens on Business	15 Mar 2007	30 Nov 2007
Prof C Walsh	Local Government Revenue Raising Capacity	15 Mar 2007	30 April 2008

<sup>a</sup> Engagement ceases at the conclusion of the inquiry/study or the period of appointment, whichever is the earlier.

Table A1.3 **Part-time Associate Commissioners completing appointments during 2006-07**

	<i>Inquiry/Study</i>	<i>Period of appointment</i>	
		<i>From</i>	<i>To</i>
Mr P L Coghlan	Standard Setting and Laboratory Accreditation	4 Apr 2006	15 Dec 2006
Prof C Walsh	Road and Rail Freight Infrastructure Pricing	4 Apr 2006	15 Feb 2007

Table A1.4 **Employees<sup>a</sup> by location and gender, 30 June 2007**

<i>Level</i>	<i>Melbourne</i>			<i>Canberra</i>			<i>Total<sup>a</sup></i>		
	<i>Female</i>	<i>Male</i>	<i>Total</i>	<i>Female</i>	<i>Male</i>	<i>Total</i>	<i>Female</i>	<i>Male</i>	<i>Total</i>
SES Band 3	0	0	0	0	1	1	0	1	1
SES Band 2	0	2	2	1	1	2	1	3	4
SES Band 1	1	7	8	1	8	9	2	15	17
Staff Level 4	7 <sup>b</sup>	16	23	6 <sup>b</sup>	19	25	13	35	48
Staff Level 3	14	10	24	6	15	21	20	25	45
Staff Level 2	17	10	27	7 <sup>c</sup>	12	19 <sup>c</sup>	24	22	46
Staff Level 1	20	5	25	9	4	13	29	9	38
<b>Total</b>	<b>59</b>	<b>50</b>	<b>109</b>	<b>30</b>	<b>60</b>	<b>90</b>	<b>89</b>	<b>110</b>	<b>199</b>
Corresponding totals at 30 June 2006	<b>57</b>	<b>57</b>	<b>114</b>	<b>31</b>	<b>54</b>	<b>85</b>	<b>88</b>	<b>111</b>	<b>199</b>

<sup>a</sup> Excludes 8 inoperative employees at 30 June 2007 and 7 at 30 June 2006. <sup>b</sup> Includes 6 employees acting. <sup>c</sup> Includes 1 employee acting.

**Table A1.5 Employees<sup>a</sup> by employment status and gender, 30 June 2007**

Level	Female			Male			Total <sup>a</sup>		
	F/t	P/t	Total	F/t	P/t	Total	F/t	P/t	Total
SES Band 3	0	0	0	1	0	1	1	0	1
SES Band 2	1	0	1	3	0	3	4	0	4
SES Band 1	2	0	2	15	0	15	17	0	17
Staff Level 4	9	4 <sup>b</sup>	13	33	2	35	42	6	48
Staff Level 3	17	2	19	24	1	25	41	3	44
Staff Level 2	18	6	24	22	0	22	40	6	46
Staff Level 1	24	6	30	8	1	9	32	7	39
<b>Total</b>	<b>71</b>	<b>18</b>	<b>89</b>	<b>106</b>	<b>4</b>	<b>110</b>	<b>177</b>	<b>22</b>	<b>199</b>
Corresponding totals at 30 June 2006	<b>68</b>	<b>20</b>	<b>88</b>	<b>107</b>	<b>4</b>	<b>111</b>	<b>175</b>	<b>24</b>	<b>199</b>

<sup>a</sup> Excludes 8 inoperative employees at 30 June 2007 and 7 at 30 June 2006. <sup>b</sup> Includes 2 non-ongoing employees.

**Table A1.6 Employees by level and reason for separation, 2006-07**

Level	Promotion	Transfer	Resignation	Invalidity			Other	Total
				Retirement	VRP <sup>a</sup>			
SES	0	0	1	0	0	1	2	
Staff Level 4	0	0	8	0	0	2	10	
Staff Level 3	0	4	7	0	0	2	13	
Staff Level 2	0	4	5	0	0	1	10	
Staff Level 1	0	0	1	0	1	0	2	
<b>Total</b>	<b>0</b>	<b>8</b>	<b>22</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>37</b>	
Corresponding totals at 30 June 2006	<b>2</b>	<b>5</b>	<b>17</b>	<b>0</b>	<b>1</b>	<b>11</b>	<b>36</b>	

<sup>a</sup> Voluntary Redundancy Package.



*Canberra Office*

Level 3, Nature Conservation House  
Cnr Emu Bank and Benjamin Way  
Belconnen ACT 2617

PO Box 80  
Belconnen ACT 2616  
Telephone 02 6240 3202  
Facsimile 02 6240 3300

*Melbourne Office*

Telephone 03 9653 2291  
Facsimile 03 9653 2303

[www.pc.gov.au](http://www.pc.gov.au)

*From the Chairman's Office*

6 August 2007

**Annual Report 2006/07 – Fraud Control Certification**

In accordance with Guideline 2.8 of the *Commonwealth Fraud Control Guidelines 2002* (the Guidelines), issued by the Minister for Justice and Customs pursuant to Regulation 19 of the *Financial Management and Accountability Regulations 1997*, I hereby certify that I am satisfied that:

- the Productivity Commission has prepared fraud risk assessments and has in place a fraud control plan that complies with the Guidelines;
- appropriate fraud prevention, detection and investigation and reporting procedures and processes are in place and :
- annual fraud data has been collected and reported that complies with the Guidelines.

Gary Banks

## Attachment A3

### Commonwealth Disability Strategy (CDS): outcomes against performance indicators

#### Performance requirements of the 'policy adviser' role

<i>Performance indicator</i>	<i>Performance measure</i>	<i>Outcome</i>
New or revised program/policy proposals assess impact on the lives of people with disabilities prior to decision	Percentage of new or revised policy/program proposals that document that the impact of the proposal was considered prior to the decision making stage	<p>Commission policies have checklists that cover the consideration of access (including disability) matters. The extent to which such considerations develop varies from inquiry to inquiry.</p> <p>Project evaluation templates have a section included for comments on disability issues as defined in our Disability Action Plan. Any comments are monitored to assess if procedures need to be further reviewed. The Commission's Disability Action Plan is currently being reviewed.</p> <p>The Commission provides the Secretariat for the Steering Group Report of Government Services. In the 2007 report's Community Services Section information was reported for the first time on disability prevalence rates among Indigenous people and on a program aimed at younger people with a disability in residential aged care facilities.</p> <p>The Commission continues to promote the awareness of issues related to people with disabilities to all new employees through its induction program and briefings to other employees as appropriate. Induction procedures are currently being reviewed.</p>
People with disabilities are included in consultations about new or revised policy/program proposals	Percentage of consultations about new or revised policy/program proposals that are developed in consultation with people with disabilities	<p>Commission inquiries are open to the public. Where appropriate, consultation is facilitated by:</p> <ul style="list-style-type: none"> <li>• advertisements in the national press inviting submissions</li> <li>• development of interested parties lists</li> <li>• TTY machine available and promoted</li> <li>• website conforms to mandatory disability access requirements</li> </ul>

(continued next page)



<i>Performance indicator</i>	<i>Performance measure</i>	<i>Outcome</i>
		<ul style="list-style-type: none"> <li>portable hearing loop available for public hearings</li> <li>copies of reports and circulars available in Braille, large print and audio on request</li> <li>checklist on accessibility at venues.</li> </ul>
Public announcements of new, revised or proposed policy/program initiatives are available in accessible formats for people with disabilities in a timely manner	Percentage of new, revised or proposed policy/program announcements available in a range of accessible formats	100 per cent available on website. The 'Accessibility' page on the website was updated in 2006-07.  The website conforms with the W3C Web Content Accessibility Guidelines 1.0 at level "A".
	Time taken in providing announcements in accessible formats	Between one and two weeks if requested.

### **Performance requirements of the 'employer' role**

<i>Performance indicator</i>	<i>Performance measure</i>	<i>Outcome</i>
Employment policies, procedures and practices comply with the requirements of the <i>Disability Discrimination Act 1992</i>	Number of employment policies, procedures and practices that meet the requirements of the <i>Disability Discrimination Act 1992</i>	The Commission's Collective Agreement, Equity and Diversity Plan, Disability Action Plan and related policies and procedures have been developed with cognisance of the requirements of the Act.
Recruitment information for potential job applicants is available in accessible formats on request	Percentage of recruitment information requested and provided in: <ul style="list-style-type: none"> <li>accessible electronic formats</li> <li>accessible formats other than electronic.</li> </ul> Average time taken to provide accessible information in: <ul style="list-style-type: none"> <li>electronic format</li> <li>formats other than electronic</li> </ul>	All vacancies are advertised in the gazette and on our website. Most vacancies are advertised in the press.  100 per cent available.  None requested.  Immediate.  Dependent on request, none received to date. Information has been sourced on the procedures for requesting alternative formats such as Braille and audio and is available should a request be received.

(next page)

<i>Performance indicator</i>	<i>Performance measure</i>	<i>Outcome</i>
Agency recruiters and managers apply the principle of 'reasonable adjustment'	Percentage of recruiters and managers provided with information on 'reasonable adjustment'	<p>Where relevant, selection panels are provided with this information.</p> <p>Managers receive information as required. Folders containing the list of candidates includes a reference to access and equity considerations, including 'reasonable adjustment'.</p> <p>A register has also been developed to record all requests for information in formats such as Braille and audiocassette. No requests were received during 2006-07.</p>
Training and development programs consider the needs of employees with disabilities	Percentage of training and development programs that consider the needs of employees with disabilities	<p>Training nomination forms include a section requesting information on the additional needs of employees. It is monitored by the training administrator. No assistance was requested during 2006-07.</p>
Training and development programs include information on disability issues as they relate to the content of the program	Percentage of training and development programs that include information on disability issues as they relate to the program	<p>Induction programs include information on these issues including our Access and Equity and Disability Action Plan.</p>
Complaints/grievance mechanism, including access to external mechanisms, in place to address issues and concerns raised by employees	Established complaints/grievance mechanisms, including access to external mechanisms, in operation	<p>These issues can be addressed with managers, Harassment Contact Officers, Employee Assistance Program and formally with 'Review of Action' procedures which are available to all employees. No procedures were conducted in 2006-07.</p>

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## Attachment A4

### Consultancies

The following information is provided in accordance with government reporting requirements.

### Selection

The Commission selects and engages consultants under the following circumstances:

- unavailability of specialist in-house resources within the project timeframe
- a need for independent expert advice, information or evaluation to assist in its research
- a need for specialised professional services including legal advice and benchmarking of its activities.

### Procedures

The Commission's selection procedures follow the value-for-money objectives of the *Commonwealth Procurement Guidelines*. Under the *Productivity Commission Act 1998*, if the estimated value of a consultancy exceeds the amount prescribed by the regulations, the Chairman must ensure that an open, competitive tendering process is used in selecting the consultant. The amount prescribed by the regulations has been increased from \$20 000 to \$80 000, with effect from 14 June 2007, to align with the mandatory open tender threshold set out in the procurement guidelines.

### Purposes

The main purposes for which consultants were engaged in 2006-07 were to provide expert technical advice for a range of projects, referee particular pieces of work, undertake modelling work and provide expert advice.

### Consultancies over \$10 000

The following table lists those consultancies let in 2006-07 valued at \$10 000 or more, including the method of selection, the reason for the consultancy and a summary of the overall costs involved. The total figure refers to total value of the contracts let, irrespective of the period of the contract, noting that some contracts are for periods in excess of one year.

## Consultancy contracts let in 2006-07 valued at \$10 000 or more

<i>Consultant</i>	<i>Nature of consultancy</i>	<i>Contract Amount</i>	<i>Selection Process (1)</i>	<i>Justification (2)</i>
<b>Government-commissioned projects</b>				
ANU Linda Butler	Investigate using bibliometric data to differentiate output and impact of Australian scientific publications for the study on science and innovation	17 187	3	A
<i>Government-commissioned projects — total</i>		<i>17 187</i>		
<b>Regulation review</b>				
Australian Government Solicitor	Review documentation relating to the request for tender for the Business Cost Calculator Stage 3 development	10 822	3	B
<i>Regulation review — total</i>		<i>10 822</i>		
<b>Supporting research and activities and annual reporting</b>				
Dr Guyonne Kalb, University of Melbourne	Provision of tuition, assistance and quality control services to staff involved in the National Reform Agenda (human capital stream, Melbourne) project	12 220	3	A
<i>Supporting research and activities and annual reporting — total</i>		<i>12 220</i>		
<b>Corporate management and services</b>				
ADX2	Services to evaluate and source a replacement PABX	11 000	3	A
David Jess and Associates	Assist with evaluation services for architectural design and project management of the Canberra office fit-out	15 488	2	C
PKF	Provision of internal audit services	15 840	1	B
<i>Corporate management and services — total</i>		<i>42 328</i>		
<b>Total consultancies</b>		<b>82 557</b>		

### **1 Procurement Method**

1. Open tender
2. Select tender
3. Direct sourcing
4. Panel

### **2 Reason for contract**

- A. Lack of in-house resources and/or specialist skills
- B. Need for an independent evaluation
- C. Benchmarking
- D. More cost effective

### **3 GST**

All figures are GST inclusive.

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## **Attachment A5**

### **Freedom of Information Statement**

The following information is provided in accordance with section 8(1) of the *Freedom of Information Act 1982*.

### **Organisation, role and functions**

The role, functions and organisational structure of the Commission are detailed elsewhere in this report.

### **Arrangements for outside participation**

The Commission is required under its Act to conduct public inquiries on matters referred to it by the Government and the Commission's inquiry procedures actively seek to encourage participation by all interested parties. In respect of its non-inquiry work, the Commission's procedures aim to promote transparency to the greatest extent possible.

The Commission may require people to send it information and summons persons to give evidence. People who assist the Commission by providing information, giving evidence at hearings or in any other way assist the Commission in the performance of its functions have protection under the Productivity Commission Act from intimidation and civil actions. Details of inquiry participation and consultation are given in each inquiry and commissioned research report.

Each 12 to 18 months the Commission invites a range of government departments and agencies, peak employer bodies, unions, community and environmental groups and academics to consultations on the Commission's supporting research program. Also, the Commission periodically meets with academics in various cities for the same purpose.

The Commission acts as the Secretariat for the Steering Committee for the Review of Government Service Provision. The Committee comprises senior representatives from the Australian, State and Territory governments.

The procedures of the Australian Government Competitive Neutrality Complaints Office allow any individual, organisation or government body to consider and, if necessary, lodge a complaint in relation to the application of competitive neutrality policy.

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## Categories of documents

Principal categories include:

- commissioned projects records including information circulars, issues papers, project guidelines, draft reports, submissions, participant correspondence and public hearing transcripts
- documents relating to infrastructure research and performance monitoring across the Australian Government, States and Territories
- documents relating to national and international benchmarking
- competitive neutrality complaint queries and details of investigations
- documents relating to research on industry and productivity issues
- Regulation Impact Statements and correspondence
- Australian Government legislation review correspondence
- regulatory best practice correspondence
- administrative, policy, procedural and contractual documents, relating to information technology, human and financial resource management
- legal advice and other legal documents
- Freedom of Information documents
- media releases
- mailing lists
- speeches
- consultancy documents
- service charters
- parliamentary questions and answers
- submissions to inquiries undertaken by other organisations.

## Facilities for access

Information circulars, issue papers, project guidelines and draft reports are sent to interested parties and project participants. They are also available from the Commission's website or free of charge from the Commission. Final reports are distributed, free of charge, to project participants and are also available from the Commission's website.

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Documents available from the Commission's website and for purchase from Pirion/J.S. McMillan include:

- the Commission's annual report series
- final inquiry reports, research reports and research papers
- reports by the Steering Committee for the Review of Government Service Provision.

Reports on competitive neutrality matters, submissions made by the Commission to other review bodies and Staff Working Papers are available from the Commission's website.

Copies of submissions (excluding confidential material) made to public inquiries, and transcripts of public hearings are available from the Commission's website and can be accessed through all State Libraries. Submissions can also be purchased through Flash Photobition, 61 Kembla St, Fyshwick ACT 2609.

Information and written requests for access to Commission documents under the *Freedom of Information Act 1982* can be made to:

FOI Coordinator  
Productivity Commission  
Locked Bag 2  
Collins Street East Post Office  
MELBOURNE VIC 8003  
Telephone: (03) 9653 2107  
Facsimile: (03) 9653 2199

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## Attachment A6

### Compliance index

#### *Compliance with the Joint Committee of Public Accounts and Audit requirements for annual reports*

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### ***Compliance with the Productivity Commission Act***

The annual report is also prepared in accordance with the general provisions of s.10 of the Productivity Commission Act, as well as the following specific requirements:

s.10(1) Commission operations	chapter 2 and appendix A
s.10(2) matters referred to the Commission	appendix C
s.10(4) competitive neutrality complaints	p. 34 and appendix D

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

- *Best Practice Regulation Report 2006-07*
- *Trade & Assistance Review 2006-07*