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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 independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. 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 Assistant 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 2008 are shown in figure A.1.

### Commissioners

At 30 June 2008 there were nine Commissioners, including the Chairman. Six Commissioners were part-time appointments.

Mr Gary Banks AO was re-appointed as Chairman for a period of five years from 20 May 2008.

Commissioner Gary Potts resigned with effect from 30 April 2008 .

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Dr Matthew Butlin was appointed as a part-time Commissioner for three years from 1 May 2008. Dr Butlin had previously been a part-time Associate Commissioner working on the annual review of regulatory burdens on business in the primary sector. Earlier in his career, Dr Butlin held senior executive positions with leading Australian companies and the Australian Public Service. Dr Butlin has undergraduate and postgraduate degrees in economics from the Australian National University and the Massachusetts Institute of Technology respectively.

Since 30 June 2008, there has been one further Commissioner appointment. On 1 August 2008 Ms Louise Sylvan was appointed as a full time Commissioner for five years. Ms Sylvan had previously been Deputy Chair of the Australian Competition and Consumer Commission, and is a former Chief Executive of the Australian Consumers' Association (ACA) and President of Consumers International. Ms Sylvan has also served internationally on the OECD Consumer Policy Committee and nationally on the federal government's Expert Group in Electronic Commerce and the Australian Statistics Advisory Council to the ABS. Prior memberships also include six years on the Australian Prime Minister's Economic Planning Advisory Council and the Self-Regulation Task Force in 1999-2000.

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.

## **Associate Commissioners**

At 30 June 2008 two Associate Commissioner appointments were current (table A1.2 of attachment A1).

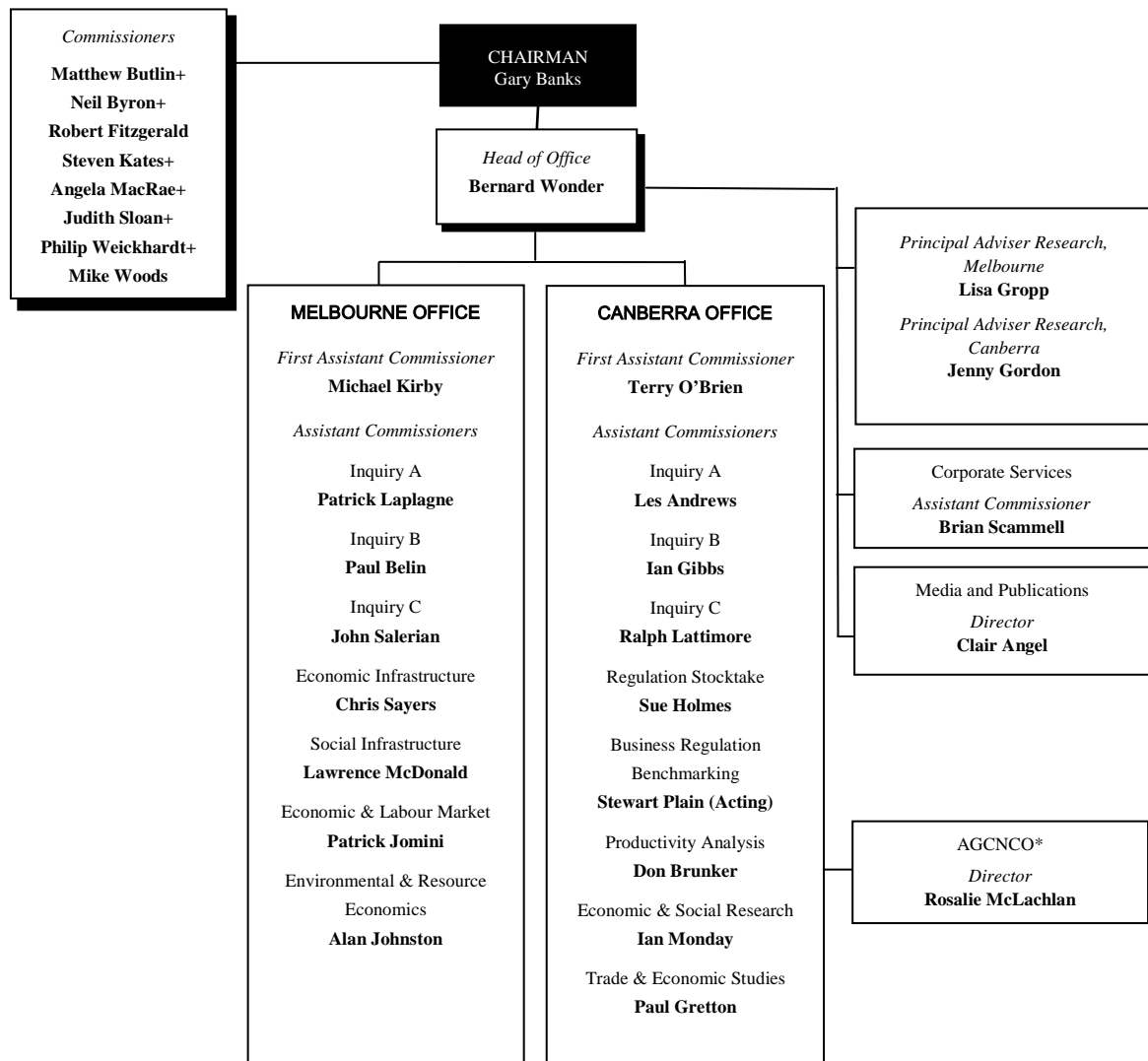
On 27 July 2007 Ms Siobhan McKenna was appointed on a part-time basis for the duration of the study into the regulation of chemicals and plastics. Ms McKenna was a partner at McKinsey and Company and is a member of the Advisory Board for the Australian Bureau of Meteorology and the Moderator of the Cranlana Colloquium. Ms McKenna has a long history of advising companies on the development of effective regulatory strategies in the healthcare, oil and gas, and telecommunications industries and has specific experience advising companies in the chemicals and plastics industry.

On 20 June 2008, Mr Robert Granger was appointed for the duration of the inquiry into government drought support. Mr Granger has extensive experience in the rural industry sector, including as General Manager of Queensland Fruit and Vegetable Growers Limited; previous Chairman of the Sugar Research and Development

Corporation, and the Banana Industry Protection Board; and as a member of the Rural Industries Research and Development Corporation.

Associate Commissioner appointments completed during 2007-08 are listed in table A1.3 of attachment A1.

Figure A.1 **Productivity Commission structure and senior staff, 30 June 2008**



+ Part-time Commissioners

\* Australian Government Competitive Neutrality Complaints Office

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## Staff

The average staffing level during 2007-08 was 199 compared to 202 in 2006-07.

The Commission recruited 35 staff during the year, including eight through its graduate recruitment program. Staff turnover was approximately 16 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 24 through the provision of four mandated outputs, are summarised in table A.1. Performance information in respect of these outputs is provided in appendix B.

The Commission's outputs have been revised to reflect the transfer of the Office of Best Practice Regulation to the Department of Finance and Deregulation as part of the revised administrative arrangements implemented following the 2007 Federal Election.

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

	<i>Budget 2007-08</i>	<i>Actual 2007-08<sup>a</sup></i>	<i>Budget 2008-09<sup>b</sup></i>
<b>Price of outputs</b>	\$'000	\$'000	\$'000
Output 1.1 – Government commissioned projects	22 369	22 411	20 133
Output 1.2 – Performance reporting and other services to government bodies	3 315	3 781	3 829
Output 1.3 – Competitive neutrality complaints activities	200	198	200
Output 1.4 – Supporting research and activities and statutory annual reporting	6 763	6 051	6 856
<b>Total price of outputs</b>	<b>32 647</b>	<b>32 441</b>	<b>31 018</b>
Revenue from government	32 389	32 389	30 753
Revenue from other sources	258	259	265
<b>Total resources</b>	<b>32 647</b>	<b>32 648</b>	<b>31 018</b>
	<i>2007-08</i>	<i>2007-08</i>	<i>2008-09</i>
Commissioner/staff years (number)	202	199	178

<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 2008-09 Portfolio Budget Statements.

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## **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.

### **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 Melbourne and Canberra Principal Advisers Research (alternate chairs), 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

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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 senior staff — are used to discuss and monitor progress across the Commission's four 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
- 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 contracted internal 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 four 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

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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 2007-08. 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.
- 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 four output groups.

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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 2007-08 in respect of either charter.

The Auditor-General issued an unqualified independent audit report on the Commission's 2006-07 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 (2008) commended the Commission for including a comprehensive compliance index against both FMA Act and PC Act reporting requirements in its 2006–07 Annual Report, in response to the committee's suggestion.

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 and publications:* The Commission's website continues to provide a valuable source of information about the current work of the Commission, its publications and other activities. A design 're-fresh' of publications and the website was completed to coincide with the 10<sup>th</sup> anniversary of the commencement of the Productivity Commission. During 2007-08 the Commission also completed the implementation of a website content management system.

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

- enhancement of data storage to assist disaster recovery and server consolidation
- provision of a new server room as part of the Canberra office relocation, and upgrading of the Melbourne server room air-conditioning and power supply
- replacement of telecommunications equipment
- an upgrade of audiovisual equipment, mainly to improve videoconferencing.

*Human Resources:* During 2007-08 the Commission adopted a system of 'upwards appraisal' for Commissioners and Senior Executives, intended to enhance individual development and improve organisational performance, by providing another avenue for feedback from staff.



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*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. Internal audits conducted in 2007-08 focused on asset management, fraud control and personnel systems and procedures. 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 business continuity plans
- reviews of relevant ANAO reports.

## **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.

### **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. Eight new employees were engaged during 2007-08 through the Commission's graduate recruitment program.

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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 employment 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 21 Senior Executive Service (SES) employees are employed under Australian Workplace Agreements or individual determinations under the *Public Service Act 1999*. 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 Education, 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).

The Commission's non-SES employees are part of a collective agreement 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.

The workplace agreements place a strong emphasis on performance outcomes as the means of achieving remuneration increases. The agreements also include 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.

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## 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. Training for all employees in receiving performance related feedback was provided in 2007-08, as a follow-on to the training provided to managers in the previous year on delivering performance 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 paid for 2007-08 are summarised in table A.2.

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**Table A.2 Performance bonuses paid for 2007-08**

<i>Classification level</i>	<i>Employees receiving bonus</i>	<i>Total bonuses paid</i>	<i>Average bonus paid</i>
Staff Level 1	4	6 028	1 507
Staff Level 2	5	5 082	1 016
Staff Level 3	15	20 336	1 355
Staff Level 4	16	28 454	1 778
SES	21	202 817	9 658
Principal Executive Officers	8	84 966	10 621
<b>Total</b>	<b>69</b>	<b>347 683</b>	<b>5 039</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.

The PCCC met on the three occasions during the year to discuss a range of workplace issues.

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 staff opinion survey every two to three years. The survey seeks staff views on a range of organisational and management issues, and is designed to help identify areas where current practices could be improved and ways to provide a better working environment for staff. The next survey is scheduled to be conducted in October 2008 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.

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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 2007-08 was 2 per cent of the annual salary budget, the same as the previous year. This expenditure related to:

- 170 employees who undertook a total of 491 days of specific training and development
- 37 Staff Level 3 employees and 36 Staff Level 4 employees who attended two-day general development programs
- 7 employees who received studies assistance in the form of paid leave and assistance with fees in the pursuit of tertiary qualifications.

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 2007-08.

The Commission has developed health and safety management arrangements in consultation with staff which came into effect in September 2007, in response to changes to OHS legislation.

New OHS activities during the year included:

- BeyondBlue seminars for managers on identifying and dealing with staff with depression
- the formal adoption of a Workplace Behaviour Policy, and associated staff briefings
- the installation of defibrillators in each office and training of first aid officers in their use
- acquisition of a new CPR training program
- a review of the Rehabilitation and Return to Work Guidelines.

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Ongoing OHS activities during the year included:

- Commission funded flu vaccinations (take up rate in 2007-08 was around 20 per cent)
- ergonomic work station assessments (84 were completed, including 31 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 2007-08.

An indicator of the effectiveness of the Commission's OHS programs is Comcare's workers' compensation rate. The Commission's rate for 2007-08 was assessed at approximately one-quarter 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. Thirteen employees or their families utilised the service in 2007-08.

## **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.

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The Commission is implementing a plan to address possible barriers to the employment and promotion of females in the Commission.

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 2007-08.

### **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.

The operating result for 2007-08 was a \$0.2 million surplus (\$3.3 million in 2006-07).

Additional funding was provided in the 2007-08 Budget to allow the Commission to benchmark the regulatory burden faced by business across jurisdictions, as part of an agreement made by the Council of Australian Governments (COAG) on 13 April 2007.

However, during 2007-08 funding was reduced to reflect an increased 'efficiency dividend' and the transfer of the Office of Best Practice Regulation to the Department of Finance and Deregulation as part of the administrative arrangements implemented following the 2007 Federal Election.

The net result from these funding adjustments was that appropriations and other income increased marginally to \$32.6 million in 2007-08 (\$32.5 million in 2006-07).

Operating expenses also increased in 2007-08 to \$32.4 million (\$29.1 million in 2006-07). The major expenses in 2007-08 were \$23.0 million in respect of employee expenses, \$8.2 million relating to supplier payments, and \$1.2 million in asset depreciation, amortisation and related expenses.

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The Commission relocated its Canberra office from Belconnen to Civic during 2007-08. The movement between financial and non-financial assets in the balance sheet is largely a consequence of the associated fit-out (leasehold improvement).

Table A.1 provides a summary of financial and staffing resources by output. The audited financial statements for 2007-08 are shown in appendix G.

## **Other information**

### **Purchasing**

The Commission applies the *Commonwealth Procurement Guidelines*.

The Commission's purchases of goods and services during 2007-08 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 2007-08, 23 new consultancy contracts were entered into involving total actual expenditure of \$458 332. The increase in expenditure in 2007-08 was primarily a consequence of a consultancy which conducted business focus groups across jurisdictions to provide data for the COAG commissioned study on Business Regulation Benchmarking. In addition, three ongoing consultancy contracts were active during the 2007-08 year, involving total actual expenditure of \$35 123. Table A.3 provides information on expenditure on consultants in the five years to 2007-08.

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



Table A.3 **Expenditure on consultants, 2003-04 to 2007-08**

	2003-04	2004-05	2005-06	2006-07	2007-08
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenditure	251	249	308	229	493

### Special payments

The Commission made a number of special payments during 2007-08. 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:* \$21 181 for annual membership payment for 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:* \$26 400 to the Australian National University for an ARC partnership project on setting priorities for services trade reform; and \$16 500 to the University of Canberra for an ARC partnership project on assessing the social and fiscal policy implications of an ageing population.

*Conference sponsorships:* \$5500 for the Australian Agricultural and Resource Economics 52<sup>nd</sup> Annual Conference; \$7500 for the University of NSW 2007 Economic Measurement Group Workshop; \$3740 for the combined New Zealand Association of Economists and Australasian Meeting of the Econometric Society 08 Conference; \$27 500 for the 2008 Economic and Social Outlook Conference organised by Melbourne Institute (MIAESR); and \$7500 for the 36<sup>th</sup> Australian Conference of Economists 2007.

*Awards:* \$1200 to the top student for 2007, Economics Honours, at Monash University (R H Snape Productivity Commission Prize); \$1000 to the top student, Master of Economics, at the Australian National University (Robert Jones Productivity Commission Prize); \$350 to the top student, Faculty of Law and Management, La Trobe University.

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## Legal services

Total expenditure on legal services in 2007-08 was \$11 868. Further details are published on the Commission's website, in accordance with *Legal Services Directions 2005* issued by the Attorney-General.

## 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 Commission's current inquiry into government drought support arrangements is a further example of work being undertaken which will require integration of 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.

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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’.

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 2007-08, the Commission recorded energy usage of 10 823 MJ/person/annum against the Government’s energy 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 2007-08 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 \$260 144 was paid for advertising (including recruitment advertising) in 2007-08 to HMA Blaze Pty Ltd.

An amount of \$325 001 was paid to Taylor Nelson Sofres Pty Ltd to conduct a series of focus groups on the administrative and compliance costs for businesses stemming from government business registration requirements, to inform the Commission’s Business Regulation Benchmarking study.

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## **Publications and submissions**

Appendix F lists all the Commission's publications in 2007-08.

## **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 1428  
CANBERRA CITY ACT 2601  
Telephone: (02) 6240 3239  
Facsimile: (02) 6240 3300

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## Attachment A1

### Commissioner and employee statistics

Table A1.1 **Chairman and Commissioners, 30 June 2008**

	<i>Current period of appointment</i>	
	<i>From</i>	<i>To</i>
Mr G R Banks AO (Chairman)	20 May 2008	19 May 2013
Dr M Butlin (M) (p/t)	1 May 2008	30 Apr 2011
Dr R N Byron (M) (p/t)	17 Apr 2007	16 Apr 2012
Mr R Fitzgerald AM (C)	27 Jan 2004	26 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
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 2008**

	<i>Inquiry/Study</i>	<i>Period of appointment<sup>a</sup></i>	
		<i>From</i>	<i>To</i>
Ms S McKenna	Regulation of chemicals and plastics	27 Jul 2007	27 Aug 2008
Mr R G Granger	Government drought support	20 Jun 2008	19 Apr 2009

<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 2007-08**

	<i>Inquiry/Study</i>	<i>Period of appointment</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

**Table A1.4 Employees by location and gender, 30 June 2008**

<i>Level</i>	<i>Melbourne</i>			<i>Canberra</i>			<i>Total</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	1	1	2	1	1	2	2	2	4
SES Band 1	0	8	8	1	8	9	1	16	17
Staff Level 4	9	14	23	6	17	23	15	31	46
Staff Level 3	17	10	27	4	10	14	21	20	41
Staff Level 2	17	10	27	4	10	14	21	20	41
Staff Level 1	17	6	23	8	3	11	25	9	34
<b>Total<sup>b</sup></b>	<b>61</b>	<b>49</b>	<b>110</b>	<b>24</b>	<b>50</b>	<b>74</b>	<b>85</b>	<b>99</b>	<b>184</b>
Corresponding totals at 30 June 2007 <sup>a</sup>	59	50	109	30	60	90	89	110	199

<sup>a</sup> Totals exclude 8 inoperative employees at 30 June 2007. <sup>b</sup> Totals exclude 7 inoperative employees at 30 June 2008; 2008 totals also include 1 acting SESB1, 2 acting SL4s, 4 acting SL3s and 2 acting SL2s.

**Table A1.5 Employees by employment status and gender, 30 June 2008**

<i>Level</i>	<i>Female</i>			<i>Male</i>			<i>Total</i>		
	<i>F/t</i>	<i>P/t</i>	<i>Total</i>	<i>F/t</i>	<i>P/t</i>	<i>Total</i>	<i>F/t</i>	<i>P/t</i>	<i>Total</i>
SES Band 3	0	0	0	1	0	1	1	0	1
SES Band 2	2	0	2	2	0	2	4	0	4
SES Band 1	1	0	1	16	0	16	17	0	17
Staff Level 4	10	5	15	29	2	31	39	7	46
Staff Level 3	17	4	21	19	1	20	36	5	41
Staff Level 2	16	5	21	20	0	20	36	5	41
Staff Level 1	20	5	25	9	0	9	29	5	34
<b>Total<sup>b</sup></b>	<b>66</b>	<b>19</b>	<b>85</b>	<b>96</b>	<b>3</b>	<b>99</b>	<b>162</b>	<b>22</b>	<b>184</b>
Corresponding totals at 30 June 2007 <sup>a</sup>	71	18	89	106	4	110	177	22	199

<sup>a</sup> Totals exclude 8 inoperative employees at 30 June 2007. <sup>b</sup> Totals exclude 7 inoperative employees at 30 June 2008

**Table A1.6 Employees by level and reason for separation, 2007-08**

<i>Level</i>	<i>Promotion</i>	<i>Transfer</i>	<i>Resignation</i>	<i>Invalidity</i>			<i>Other</i>	<i>Total</i>
				<i>Retirement</i>	<i>VRP<sup>a</sup></i>			
SES	0	0	2	0	0	0	2	
Staff Level 4	0	1	6	0	0	0	7	
Staff Level 3	1	4	7	0	0	0	12	
Staff Level 2	2	2	4	0	0	0	8	
Staff Level 1	0	0	1	1	0	0	2	
<b>Total</b>	<b>3</b>	<b>7</b>	<b>20</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>31</b>	
Corresponding totals at 30 June 2007	0	8	22	0	1	6	37	

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



**Australian Government**  
**Productivity Commission**

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*From the Chairman's Office*

22 August 2008

### **Annual Report 2007-08 – Fraud Control Certification**

In accordance with Guideline 2.8 of the *Commonwealth Fraud Control Guidelines 2002* (the Guidelines), issued 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.

A handwritten signature in black ink that reads "G. Banks".

Gary Banks AO



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## 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.</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.</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>• website conforms to mandatory disability access requirements</li><li>• portable hearing loop available for public hearings</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 2007-08.

(continued next page)

## 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>	All vacancies are advertised in the gazette and on our website. Most vacancies are advertised in the press.  100 per cent available.  None requested.
	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>	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.
	Agency recruiters and managers apply the principle of 'reasonable adjustment'	Percentage of recruiters and managers provided with information on 'reasonable adjustment'
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	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 2007-08.

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<i>Performance indicator</i>	<i>Performance measure</i>	<i>Outcome</i>
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	Induction programs include information on these issues including our Access and Equity and Disability Action Plan.
Complaints/grievance mechanism, including access to external mechanisms, in place to address issues and concerns raised by employees relating to disability issues	Established complaints/grievance mechanisms, including access to external mechanisms, in operation	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 2007-08.

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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 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 (\$80 000), the Chairman must ensure that an open, competitive tendering process is used in selecting the consultant.

### Purposes

The main purposes for which consultants were engaged in 2007-08 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 2007-08 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.

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## Consultancy contracts let in 2007-08 valued at \$10 000 or more

<i>Consultant</i>	<i>Nature of consultancy</i>	<i>Contract Amount (3)</i>	<i>Selection Process (1)</i>	<i>Justification (2)</i>
<b>Government-commissioned projects</b>				
Taylor Nelson Sofres Aust P/L	Conducting business focus groups across all jurisdictions to provide data for the COAG study on Business Regulation Benchmarking	325 001	1	A
Acil Tasman	Estimation of compliance costs of business registration regulation	60 049	2	B
<i>Government-commissioned projects — total</i>		<i>385 050</i>		
<b>Total consultancies</b>		<b>385 050</b>		

### **<sup>1</sup> Procurement Method**

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

### **<sup>2</sup> 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

### **<sup>3</sup> 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
- 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.

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. 31 and appendix D

In association with this annual report, the Commission is preparing one companion publication:

- *Trade & Assistance Review 2007-08*