
C Government commissioned projects

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

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

The Productivity Commission is required to report annually on the matters referred to it. This appendix provides a summary of projects which the Government commissioned during the year and government responses to reports completed in 2007-08 and previous years. It also reports on commissioned projects received since 30 June 2008.

This appendix is structured as follows:

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

Table C.1 summarises activity since the Commission's 2006-07 annual report and indicates where relevant information can be found.

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

<i>Date received</i>	<i>Title</i>	<i>For terms of reference see</i>	<i>Stage of completion</i>	<i>Major findings/ recommendations</i>	<i>Government response</i>
Inquiries					
11-12-06	Australia's Consumer Policy Framework	AR 06-07	Report No. 45 signed 30-4-08	page 152	page 154
21-6-07	Market for Retail Tenancy Leases in Australia	AR 06-07	Report No. 43 signed 31-3-08	page 155	page 156
17-10-07	Safeguards Inquiry into the Import of Pigmeat	AR 06-07	Report No. 44 signed 31-3-08	page 159	page 160
27-2-08	Improved Support for Parents with New Born Children	page 149	in progress	na	na
20-6-08	Inquiry into Government Drought Support	Page 151	in progress	na	na
Other commissioned projects					
28-2-07	Annual Review of Regulatory Burdens on Business – Primary Sector	AR 06-07	Report completed 5-11-07	page 160	na
4-4-07	Assessing Local Government Revenue Raising Capacity	AR 06-07	Report completed 4-4-08	page 162	na
27-7-07	Chemicals and Plastics Regulation	AR 06-07	Report completed 28-7-08	page 163	page 164
5-9-07	Business Regulation Benchmarking: Stage 2	AR 06-07	in progress	na	na
4-4-08	Modelling Economy-Wide Effects of Future Automotive Assistance	page 165	Report completed 30-5-08	page 166	na
10-4-08	2008 Review of the Mutual Recognition Agreement and the Trans-Tasman Mutual Recognition Agreement	page 150	in progress	na	na
10-4-08	Review of the Regulatory Burden on the Upstream Petroleum (Oil and Gas) Sector	page 151	in progress	na	na
22-5-08	Modelling Economy-Wide Effects of Future TCF Assistance	page 166	Report completed 30-6-08	page 167	na
28-2-07*	Annual Review of Regulatory Burdens on Business – Manufacturing Sector and the Distributive Trades	AR 06-07*	Report completed 29-8-08	page 168	na

na not applicable. Note: References are to previous annual reports (AR) of the Productivity Commission. *: Terms of reference for this project were included in those announced for the Annual Review of Regulatory Burdens on Business – Primary Sector on 28 February 2007.

Terms of reference for new projects

This section outlines the terms of reference for commissioned projects received since the Commission's annual report for 2006-07 which are in progress or for which the report has not yet been released. Full terms of reference are available on the Commission's website and in relevant reports.

Improved Support for Parents with New Born Children

On 17 February 2008, the Deputy Prime Minister, the Treasurer and the Minister for Families, Housing, Community Services and Indigenous Affairs jointly announced that the Commission would examine ways in which the Government can provide improved support to parents with new born children.

In undertaking the inquiry, the Commission is to:

- identify the economic, productivity and social costs and benefits of providing paid maternity, paternity and parental leave
- assess the current extent of employer-provided paid maternity, paternity and parental leave in Australia
- identify paid maternity, paternity and parental leave models that could be used in the Australian context
- assess those models for their potential impact on:
 - the financial and regulatory costs and benefits on small and medium-sized business
 - the employment of women, women's workforce participation and earnings and the workforce participation of both parents more generally
 - work/family preferences of both parents in the first two years after the child's birth;
 - the post-birth health of the mother
 - the development of young children, including the particular development needs of newborns in their first 2 years
 - relieving the financial pressures on families
- assess the cost effectiveness of these models
- assess the interaction of these models with the Social Security and Family Assistance Systems

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- assess the impacts and applicability of the various models across the full range of employment forms (such as the self-employed, farmers, and shift workers)
 - assess the efficiency and effectiveness of government policies that would facilitate the provision and take-up of these models.

The Commission is required to produce a final report by the end of February 2009.

2008 Review of the Mutual Recognition Agreement and the Trans-Tasman Mutual Recognition Arrangement

On 10 April 2008, the Assistant Treasurer asked the Commission to undertake a review of the Mutual Recognition Agreement (MRA) and the Trans-Tasman Mutual Recognition Arrangement (TTMRA) and to report within nine months of receipt of the reference. This follows an earlier review undertaken by the Commission in 2003.

The Commission is to:

- assess the coverage, efficiency and effectiveness of the MRA and TTMRA since the 2003 Review, with particular attention to the implementation of that review's findings, and to matters identified by the Cross Jurisdictional Review Forum and the COAG Skills Recognition Steering Committee
- assess how the administrative provisions (such as the annual roll-over of the special exemptions under the TTMRA) can be amended and/or enhanced to support the more efficient operation of the MRA and/or TTMRA
- examine whether any components of overseas models of mutual recognition or any other changes might be made to enhance the functioning of the MRA and TTMRA
- explore any possible implications for the operation of the TTMRA arising from participating jurisdictions' bilateral engagement with third countries.

In undertaking the research study, the Commission is to consult relevant stakeholders in Australia and New Zealand, including the Cross Jurisdictional Review Forum and the COAG Skills Recognition Steering Committee.

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

On 10 April 2008, the Australian Government asked the Commission to undertake a review of Australia's framework for upstream petroleum regulation and to report within 12 months of commencing the study. This followed a recommendation for a

broad review of the Australian petroleum regulation framework by the Commission in its 2007 report *Annual Review of Regulatory Burdens on Business: Primary Sector*.

The current review is to consider opportunities for streamlining regulatory approvals, providing clear timeframes and removing duplication between jurisdictions. In undertaking the study the Commission is to:

- assess the impact of the current regulatory framework on the international competitiveness and economic performance of Australia's petroleum sector and on the performance of the economy as a whole
- report on regulatory impediments to improved performance, including inconsistencies and duplication across jurisdictions, and ways in which governments in Australia could address them
- consider options for a national regulatory authority to manage all regulatory approvals for the upstream petroleum industry as a means of addressing issues of regulatory duplication and inconsistencies.

In conducting the study the Commission is to have regard to any other current or recent reviews commissioned by Australian governments affecting the regulatory burden faced by businesses in the upstream petroleum sector; and to the underlying policy intent of government regulation on the upstream petroleum sector.

Inquiry into Government Drought Support

On 20 June 2008, the Australian Government asked the Commission to undertake an inquiry into government assistance for drought events. The inquiry will be supported by other work to assist its review of drought policy, including an Expert Panel review of the social impacts of drought and a climatic assessment by the Bureau of Meteorology (BOM) and the Commonwealth Scientific and Industrial Research Organisation (CSIRO).

The Commission's inquiry is to report on the appropriateness, effectiveness and efficiency of current Commonwealth, state and territory governments' business support and income support measures provided to help farmers, farm businesses and farm dependent rural small businesses manage drought. The impacts of this support on performance and productivity at the individual, business, industry, regional and state levels are to be examined.

The Commission has also been asked to:

- identify impediments to farmers, farm businesses and farm dependent rural small businesses improving self reliance and preparedness for periods of financial difficulty

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- identify the most appropriate, effective and efficient Commonwealth, state and territory government response to build farmers', farm businesses' and farm dependent rural small businesses' self reliance and preparedness to manage drought.

With reference to the findings of the Expert Panel and the BoM and CSIRO, the Commission has been asked to examine the interaction between current government social support services and business support and income support measures, and the impact of social support services on self reliance, preparedness and performance.

The Commission is to produce a draft report by the end of October 2008 and a final report by the end of February 2009.

Commission reports released by the Government

This section summarises the main findings and recommendations of inquiry and research reports which have been released by the Government in the period to 9 October 2008. It includes terms of reference for those projects commenced and completed in that period and, where available, government responses.

Review of Australia's Consumer Policy Framework

Inquiry Report No. 45 signed 30 April 2008, report released 8 May 2008.

The Commission's main findings and recommendations were that:

- While Australia's consumer policy framework has considerable strengths, parts of it require an overhaul.
 - The current division of responsibility for the framework between the Australian and State and Territory Governments leads to variable outcomes for consumers, added costs for businesses and a lack of responsiveness in policy making.
 - There are gaps and inconsistencies in the policy and enforcement tool kit and weaknesses in redress mechanisms for consumers.
 - These problems will make it increasingly difficult to respond to rapidly changing consumer markets, meaning that the associated costs for consumers and the community will continue to grow.
- Addressing these problems will have significant direct benefits for consumers. Also, by better engaging and empowering consumers and furthering the development of nationally competitive markets, reform will enhance productivity and innovation.

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- A set of clear objectives and supporting principles is required to anchor the future development of consumer policy.
 - The overarching objective should be to improve consumer wellbeing by fostering effective competition and enabling the confident participation of consumers in markets in which both consumers and suppliers can trade fairly and in good faith.
 - A pressing need is to put in place institutional arrangements that are more compatible with the increasingly national nature of Australia's consumer markets and which will deliver more timely and effective policy change than the current regime.
 - In keeping with many of the other key policies governing commerce in Australia, greater responsibility for consumer policy development and enforcement should reside with the Australian Government.
 - The first step in this process should be the introduction of a single generic consumer law applying across Australia, based on the consumer provisions in the Trade Practices Act (TPA), modified to address gaps in its coverage and scope.
 - The Australian Government, through the Australian Competition and Consumer Commission (ACCC), should be responsible for enforcing the product safety provisions nationally, though possibly with scope for States and Territories to implement time-limited, interim product safety bans.
 - The remaining provisions should be jointly enforced by the ACCC and State and Territory consumer regulators, though individual States and Territories should have the option to refer their enforcement powers to the Australian Government.
 - The new law should include a provision voiding 'unfair' contract terms that have caused consumer detriment.
 - In addition to the enforcement tools currently in the TPA, it should provide for civil pecuniary penalties, banning orders and substantiation and infringement notices.
 - Responsibility for regulating the provision of consumer credit and related advice by finance brokers and other intermediaries should also be transferred to the Australian Government as soon as practicable, with the Australian Securities and Investments Commission (ASIC) as the primary regulator.
 - COAG, in consultation with the Ministerial Council on Consumer Affairs, should oversight a general reform program for industry-specific consumer regulation to:

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- identify and repeal unnecessary industry-specific consumer regulation, with an initial focus on removing regulations that apply in only one or two jurisdictions
 - identify other areas of specific consumer regulation where divergent requirements and/or lack of policy responsiveness are particularly costly
 - determine how these costs should be reduced, including explicit consideration of the case for transferring policy and, where appropriate, enforcement responsibilities to the Australian Government.
- In addition:
 - Some particular regulatory requirements for consumer credit, utility services and home building should be modified.
 - Consumers' access to remedies where they suffer detriment from breaches of consumer law, should be enhanced by consolidating some ombudsman arrangements; streamlining small claims courts' procedures; making it easier for regulators to bring representative actions; and increasing funding for legal aid and financial counselling services.
 - Mandatory disclosure requirements should be improved by more 'layering' of the information provided to consumers and greater testing of its comprehensibility and relevance to them.
 - Subject to appropriate governance arrangements, there should be additional public funding for consumer advocacy and for policy related research, including to enable the establishment of a National Consumer Policy Research Centre.
 - Many of the Commission's proposals would benefit vulnerable and disadvantaged consumers, with some being primarily designed to assist these groups. However, for some groups, specific additional strategies may be required.
 - The proposed changes would also further the economic integration goals of the Australian and New Zealand Governments.
 - Though only very broad quantification is possible, the Commission's reform package could provide a net gain to the community of between \$1.5 billion and \$4.5 billion a year.

Government decision

In its communiqué of 2 October 2008, COAG announced that it had agreed to a new consumer policy framework comprising a single national consumer law based on the *Trade Practices Act 1974* and drawing on the recommendations of the

Commission and best practice in State and Territory consumer laws (COAG 2008c, p. 2). As part of this new framework:

- the Commonwealth is to assume responsibility for the making of permanent product bans and standards under the *Trade Practices Act 1974*, with the ACCC and States and Territory offices of fair trading sharing responsibility for enforcement of product safety law
- transfer of responsibility of remaining areas of consumer credit to the Commonwealth will occur via a phased implementation plan, following an earlier COAG decision that the Commonwealth would assume responsibility for the regulation of mortgages, mortgage broking, margin lending and all remaining areas of consumer credit, such as pay-day lending and financial counselling services.

In addition, COAG is also reviewing occupational regulations only applying in one or two jurisdictions, which the Commission indicated warranted early attention.

In accordance with a further Commission recommendation, on 22 July 2008 the Assistant Treasurer also announced changes to the configuration of the Commonwealth Consumer Affairs Advisory Council (CCAAC). In announcing these changes, the Assistant Treasurer stated:

... I want to address the Productivity's Commission's recent recommendation that the operations of CCAAC should be enhanced through ensuring that the Council has members who have consumer policy expertise and bring a national perspective to its advisory functions. (Bowen 2008b)

Market for Retail Tenancy Leases in Australia

Inquiry Report No. 43 signed 31 March 2008, report released 27 August 2008.

The Commission's main findings and recommendations in the final report were that:

- The market for retail tenancies is dynamic and complex. It is an amalgam of large and small businesses participating as landlords and tenants.
 - There are around 290 000 retail tenancy leases in Australia with up to 58 000 written each year.
 - About one fifth of leases are in shopping centres with the remainder in retail shopping strips and other retail formats.
 - The legislation is highly prescriptive and has grown in volume — now amounting to some 700 pages across jurisdictions.

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- Significant and widening differences between jurisdictions persist, despite attempts at harmonisation.
 - Aspects of the legislation have constrained the market, lowered productivity and added to compliance and administrative costs.
 - Nevertheless, a number of innovations appear to have been useful, in particular:
 - simple, low-cost and accessible dispute resolution; disclosure statements; lease information; and the encouragement of registration of leases in some jurisdictions.
 - In an environment where the market is working reasonably well overall, further attempts to prescribe lease terms and conditions would not improve outcomes.
 - The Commission considers the most fruitful approach to improving the operation of the retail tenancy market and reducing costs would be to:
 - further improve transparency, disclosure and dispute resolution, to reduce information imbalances and unwind constraints on efficient decision making
 - reduce the prescriptiveness of legislation and move to a nationally consistent retail lease framework, to increase efficiency and reduce costs
 - adopt a more focused approach to the shopping centre segment of the market, through the introduction of a national shopping centre code of conduct, to ease tensions and reduce costs in that segment and to support the move to less prescriptive legislation and national consistency.
 - In addition, the potential to relax planning and zoning controls that limit competition and restrict retail space and its utilisation warrants further examination.

Government decision

On 27 August 2008 the Commonwealth Government announced agreement or in-principle agreement with all but one of the Commission's recommendations. The Government:

- supported the use of simple (plain English) language in all tenancy documentation and state and territory governments reviewing the application of the use of simple language in tenancy documentation within the process of harmonisation of retail legislation across jurisdictions
- supported state and territory governments investigating the availability of clear and obvious contact points for information on lease negotiation, lease registration and dispute resolution

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- agreed with the Commission’s proposal that a one page summary of all key lease terms be included in retail lease documentation. However, the Commonwealth also stated a concern that tenants may rely solely on the information contained in the one page summary and may not fully understand their contractual obligations as a result. In light of this concern, the Commonwealth supported further examination by state and territory governments of the appropriateness of a one page summary of key terms and conditions
 - agreed in principle to the facilitation of lodgement of a standard one page lease summary at a publicly accessible site. However, it had concerns that the information may not always be current and may not contain information that fully reflects the terms and value of a lease. The Commonwealth also had concerns that reliance on this information may potentially increase disputes and business failures, and may reduce due diligence and the propensity for appropriate legal and financial advice to be sought. As such, the Government stated that, if this recommendation is to be implemented, it would want to be assured that it offers net benefits to retail tenancy participants
 - supported harmonisation of retail tenancy legislation across jurisdictions as a means of improving information and transparency, and reducing the cost of doing business for retailers and landlords who operate across borders. While the Commonwealth considered it appropriate for state and territory governments to determine the most effective mechanism to ensure consistency in legislation across jurisdictions as part of the process of harmonisation, it also stated that it encouraged state and territory governments to consider the merits of developing a key set of items (and terminology) to be included in all retail tenancy leases and in disclosure statements that might improve the transparency of lease obligations, particularly for new entrants to the market
 - supported state and territory governments, in the process of harmonisation, investigating the merits of nationally consistent reporting on the incidence of tenancy enquiries, complaints and dispute resolution
 - supported state and territory governments examining the merits of aligning unconscionable conduct provisions, in the context of lowering the incidence and cost of disputation, and therefore improving the efficient operation of the tenancy market. Alignment across jurisdictions was also seen as reducing compliance costs for retailers that operate, or intend to operate, across borders
 - saw merit in a code of conduct as an alternative to prescriptive legislation. In this context the Commonwealth offered in-principle support for state and territory governments to consider options for a code that would be appropriate for the retail tenancy market. However, it cautioned that a code should not be an additional layer of regulation and should only be pursued if the current legislative arrangements could be reformed appropriately to avoid any increases

in complexity, regulation and compliance costs for business, especially for small business

- encouraged state and territory governments to examine the appropriateness of establishing nationally consistent model legislation, including consistency in processes for lease negotiation, operation, dispute resolution and information disclosure as part of the harmonisation process
- considered that unwarranted restrictions resulting from some planning and zoning regulations can influence the quantity and location of retail space available and therefore competition in the retail market, particularly for shopping centre tenants. The Commonwealth therefore encouraged state and territory governments, where practicable in the context of urban design and preserving public amenity, to consider relaxing restrictions that limit competition.

The Commonwealth did not support the Commission's recommendation that state and territory governments remove restrictions that provide no improvement in operational efficiency, compared with the broader market for commercial tenancies. The Commonwealth considered there was a need to distinguish between retail and commercial tenancies given the importance of location for retailers, and that current legislation provides important protections in this respect. However, its view was that any provisions, apart from those that offer location safeguards, that detract from operational efficiency generally or unduly apply compliance costs for small business should be reviewed as part of the harmonisation of state and territory laws.

The Commonwealth Government also stated that to ensure a holistic approach by the Commonwealth and state and territory governments, it was appropriate for these issues to be considered under the auspices of the Council of Australian Governments (COAG). It further stated that the most appropriate mechanism for considering and progressing these issues under COAG, and in the broader context of regulatory and competition reform, was through COAG's Business Regulation and Competition Working Group (BRCWG).

Safeguards Inquiry into the Import of Pigmeat

Inquiry Report No. 42 (Accelerated Report) signed 14 December 2007, report released 20 December 2007. Inquiry Report No. 44 signed 31 March 2008, report released 4 April 2008.

In October 2007 the Commission was asked by the Australian Government to inquire into whether safeguard action under the World Trade Organization (WTO) rules was justified against imports of 'meat of swine, frozen', falling within tariff subheading 0203.29. Safeguard action is temporary, 'emergency action' (typically employing tariffs, tariff-quotas or quotas) where a surge of imports causes or

threatens to cause serious injury to a domestic industry. Safeguard measures can apply for up to four years.

In addition to a final inquiry report, which was to be completed by the end of March 2008, the Commission was asked to provide an ‘accelerated report’ by 14 December 2007, as to whether *provisional* safeguard measures should be put in place. Provisional measures may be taken in ‘critical circumstances’ and pursuant to a preliminary determination that increased imports are causing or threatening such injury that delay in taking action would cause damage which is ‘difficult to repair’.

The Accelerated Report found no clear evidence that increased imports had caused or were threatening to cause serious injury to the domestic industry. Rather, higher domestic feed prices appeared to be the principal cause of serious injury. As such, the Accelerated Report determined against provisional action.

In its final report, the Commission’s main finding was that increased imports had not caused and were not threatening to cause serious injury to the domestic industry. The overwhelming cause of serious injury was found to be higher domestic feed costs. The Commission accordingly found that safeguard action against imports of frozen pigmeat was not warranted.

The Commission also did not consider that the pigmeat industry has a strong case for additional government assistance. At a minimum, before any further assistance were contemplated, existing government-funded programs should be properly evaluated. Any proposal for additional measures would then need to be shown to be of net benefit to the Australian community, not just industry interests.

The final report also contained a number of recommendations, including that:

- Governments should undertake periodic reviews of pig animal welfare regulation, to ensure that it is imposing the minimum compliance requirements necessary to achieve its objectives.
- Commonwealth and State and Territory Governments should continue work on promoting consistency of regulations across jurisdictions, including more harmonised implementation and enforcement processes where appropriate. Some of the major ‘hot spots’ for reform identified by the pigmeat industry include animal welfare, OH&S, food and ethanol regulation.
- Regular independent reviews are necessary to ensure that government R&D funding directed to the pigmeat industry delivers net benefits to the community, and continues to satisfy program criteria. More detailed information needs to be provided by industry bodies on the performance of R&D projects that are funded by government, including evaluations of benefits and costs.

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- Industry programs that operate in conjunction with government support, such as initiatives funded by the pig levy, need to be regularly and transparently reviewed.
 - There should be a review into the overall economic impact of current and proposed policies relating to ethanol. The review, which could encompass assistance for other biofuels, should consider the impact of policies promoting ethanol production on consumers and other industries, including grain users.
 - Quarantine arrangements should impose only the minimum requirements needed to satisfy objectives. As new options emerge for dealing with quarantine risks, arrangements should be reviewed to take them into account. The current Quarantine and Biosecurity Review is well placed to further explore these issues.
 - The remaining moratoriums on the commercial release of genetically modified canola should only continue if objective evidence indicates that the potential costs of GM canola are greater than its potential benefits. Current evidence suggests this is probably not the case.

Government decision

The Australian Government's final response to the Commission's report was tabled in Parliament on 4 June 2008 (DAFF 2008). The response provided agreement or in-principle agreement to all of the Commission's recommendations.

The response noted that the Commission's accelerated report found that provisional safeguard action could not be taken against pigmeat imports at that time. It further noted that the Commission's final report also found that safeguard action was not justified because increased imports had not caused and were not threatening to cause serious injury to the domestic industry. Accordingly, on 8 April 2008, the government notified the WTO that the safeguards investigation had been terminated, and that it would not impose safeguard measures. The response also noted the Commission's view that existing government-funded programs should be properly evaluated before any further assistance to the pig industry is contemplated.

Annual Review of Regulatory Burdens on Business — Primary Sector

Research Report completed 5 November 2007, report released 19 December 2007.

This study looked to remove or reduce Australian Government regulations which are unnecessarily burdensome, complex or redundant or are duplicative across portfolios or with state and territory regulation. The Commission's main findings and recommendations were:

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- From the perspective of farmers, mining companies and other primary sector businesses, governments impose a heavy burden of regulation.
 - The effectiveness of regulatory reform efforts would be enhanced if there were greater coordination among all jurisdictions.
 - Many Australian Government agencies have processes in place to identify and progressively remove unnecessary regulatory burdens, while still meeting policy objectives.
 - The Commission identified actions which the Australian Government can take without delay, including:
 - removing duplication in applying for drought assistance
 - amending Part IIIA of the Trade Practices Act to provide greater clarity and transparency
 - ensuring employers can more easily check the work eligibility of overseas visitors
 - improving communication about the significant impact trigger under the Environment Protection and Biodiversity Conservation Act (EPBC Act)
 - undertaking negotiations for specific bilateral agreements for approvals under the EPBC Act.
 - In a number of cases, where reforms have been agreed to by governments at the policy level, primary sector businesses have yet to see tangible results. It is taking too long to:
 - adopt and implement the National Mine Safety Framework
 - remove barriers to the recognition of skills acquired across borders and/or under the Vocational Education and Training framework
 - remove inter-jurisdictional inconsistencies in the regulation of road transport.
 - A number of potentially unnecessary regulatory burdens can only be removed after a full policy and framework review, including:
 - market arrangements for wheat exports
 - the regulation of onshore and offshore petroleum
 - coastal shipping, as part of the national transport market reform agenda
 - whether the mining of uranium should remain a matter of national environmental significance
 - the reporting thresholds and funding of the National Pollutant Inventory.

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- The removal of unnecessarily burdensome regulations relating to agricultural chemicals and veterinary medicines is being addressed in the Commission's study into chemicals and plastics regulation.
 - There are some regulatory design issues of particular relevance to the primary sector, including a need for:
 - evidence-based risk assessments and rational risk management
 - assessments of the loss of property rights imposed by regulatory changes which are aimed at achieving community-wide objectives.

Assessing Local Government Revenue Raising Capacity

Research Report completed 4 April 2008, report released 17 April 2008.

The Commission's main findings were:

- There is considerable variation, in per person terms, in both own-source revenue raised and grants received by local governments in Australia.
- Expenditure per person varies considerably across councils. Rural and remote councils have higher expenditure per person, on average, compared with urban councils. This is largely explained by the inability of rural and remote councils to capture scale economies, having to pay higher input costs, maintaining more kilometres of roads per person and undertaking a relatively more extensive service mix.
- Revenue-raising effort, a measure of how much own-source revenue a local government raises relative to its income base, varies significantly within and between classes of local governments. Capital city, urban regional, rural and remote local governments have the highest average revenue-raising efforts, when adjusted for population size.
- A sophisticated benchmarking analysis of the relative potential of local governments to increase their own-source revenue suggests that, on average, councils are raising about 88 per cent of their hypothetical benchmarks. Whether a council can realise its assessed potential to raise additional revenue will depend on its individual circumstances. (The scope for raising additional revenue should not be taken to imply that local governments *should* increase the revenue they raise.)
- A number of councils, particularly in capital city and urban developed areas, have the means to recover additional revenue from their communities sufficient to cover their expenditures without relying on grants. However, a significant number of councils, particularly in rural (87 per cent) and remote (95 per cent)

areas would remain dependent on grants from other spheres of government to meet their current expenditure. Some councils would remain highly dependent on grants.

- Given the differences in the scope to raise additional revenue across different classes of councils, there is a case to review the provision of Australian Government general purpose grants to local governments.
- There is scope to utilise further the existing institutional arrangements between Australian and State Governments, local government associations and local governments to promote best practice in all aspects of revenue and expenditure decisions by local governments.

Chemicals and Plastics Regulation

Research Report completed 25 July 2008, report released 7 August 2008.

The Commission's main findings and recommendations were:

- Chemicals and plastics contribute to our wellbeing, but some can pose substantial risks to health and the environment. Government intervention to manage risks is warranted where benefits materially exceed costs.
- Chemicals regulations are generally grafted onto (differing) state and territory Acts that deal with public health, workplace safety, transport safety, environment protection and national security.
- Current regimes are broadly effective in managing risks to health and safety, but are less effective in managing risks to the environment and national security. Efficiency can be improved through national uniformity in most areas.
- The Commission proposes building a governance framework that enhances national uniformity by addressing failures at four levels.
- *Level 1 — policy development and regime oversight.* A national function through ministerial councils supported by intergovernmental agreements:
 - chemicals policy coordination should be undertaken by an officer-level, cross-council standing committee on chemicals.
- *Level 2 — assessment of chemical hazards and risks.* An Australian Government science-based function undertaken under statutory independence:
 - the industrial chemicals agency should undertake assessments, not set risk management standards.

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- *Level 3 — risk management standards setting.* A national function by expert-member agencies operating within the policy frameworks of the ministerial councils:
 - poisons scheduling should be separated from drugs
 - maximum residue levels for domestically produced foods that are set by APVMA should be automatically included in the food standards code, with right of change by FSANZ and the Australia and NZ Food Regulation Ministerial Council
 - while replacement of the workplace safety agency (ASCC) by an independent agency is supported, it should not be a tripartite representative body
 - the effectiveness of new model regulations for transport needs to be monitored
 - an environmental risk management standards body should be established
 - risk management of chemicals of security concern (including ammonium nitrate) should adopt the Commission’s governance framework.
 - *Level 4 — administration and enforcement.* Generally jurisdiction-specific:
 - all standards should be adopted in a uniform or nationally consistent manner by administering agencies
 - control of use of agvet chemicals should be consolidated under the APVMA but delivered through service level agreements by the states and territories.
 - Australia should defer adopting the Globally Harmonised System of Classification and Labelling of chemicals until the benefits from trade can be demonstrated.

Government decision

At its 3 July 2008 meeting, the COAG Ministerial Taskforce on Chemicals and Plastics Regulatory Reform announced a series of ‘early harvest’ reforms which endorse elements of the reform blueprint proposed by the Commission. COAG also requested that actions in response to the Commission’s final report be brought forward for COAG to consider at its October 2008 meeting.

The COAG communiqué of October 2 2008 welcomed the Commission’s final report and:

agreed that improved and better coordinated governance structures are required to advance reform in this area. (COAG 2008c, p. 7)

Accordingly, it directed the Ministerial Taskforce on Chemicals and Plastics Regulatory Reform to develop a governance structure for oversight of regulatory reform for further consideration. It also announced that relevant ministerial councils would report in November 2008 on responses and implementation plans for the relevant recommendations in the Commission's report.

Modelling Economy-Wide Effects of Future Automotive Assistance

Research Report completed 30 May 2008, report released 5 June 2008.

On 14 February 2008, the Australian Government commissioned a review of the current assistance program in the automotive industry by a panel headed by the former Premier of Victoria, the Hon. Steve Bracks. When announcing the review, it was foreshadowed that the Government would separately request the Commission to undertake modelling of the economy-wide effects of a number of future assistance options. On 4 April 2008 the Assistant Treasurer asked the Commission to undertake this modelling, focussing on eight suggested scenarios contained in an accompanying letter from Mr Bracks.

The options that the Commission was asked to model covered a number of combinations of tariffs and levels of assistance provided under the Automotive Competitiveness and Investment Scheme (ACIS). These included:

- a base case scenario involving current automotive industry support arrangements including a reduction in the passenger motor vehicle and parts thereof tariffs from 10 per cent to 5 per cent on 1 January 2010, the change to ACIS funding under Stage 3 and the introduction of the Green Car Innovation Fund
- reducing the passenger motor vehicle and parts thereof tariff to 5 per cent on 1 January 2010 but increasing support under current ACIS arrangements (that is, through the issuance of duty credits)
- reducing the passenger motor vehicle and parts thereof tariff to 5 per cent on 1 January 2010 but increasing support under different ACIS arrangements (that is, through the issuance of duty credits)
- maintaining the passenger motor vehicle and parts thereof tariff at 10 per cent post-2010 and maintaining the current ACIS support arrangements
- maintaining the passenger motor vehicle and parts thereof tariff at 10 per cent post-2010 but increasing support under the current ACIS arrangements (that is, through the issuance of duty credits)
- maintaining the passenger motor vehicle and parts thereof tariff at 10 per cent post-2010 but discontinuing ACIS

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- reducing all automotive tariffs to zero post-2010 and discontinuing ACIS
 - maintaining the base case scenario but increasing the exchange rate to \$A/\$US parity so as to determine the sensitivity of the industry to further movements in the exchange rate.

To model these options, the Commission used a model of the Australian economy known as the MMRF model (developed by the Centre of Policy Studies at Monash University). The modelling consistently indicated that further reductions in automotive assistance, particularly tariffs, could be expected to yield net economy-wide benefits. It also suggested that the benefits would be larger under the current assistance reduction program than options entailing lesser reductions. The model projected potential net benefits to the community of some \$0.5 billion a year under this program, with gains to consumers and other industries outweighing negative impacts on the automotive industry. Modelling also confirmed that a significant further appreciation of Australia's currency, associated with the mining boom, would have a much greater impact on the automotive industry than scheduled tariff reductions.

In the Commission's assessment, these conclusions were not materially affected by consideration of factors not captured directly by the model, such as adjustment costs and scale economies.

Modelling Economy-Wide Effects of Future TCF Assistance

Research report completed 30 June 2008, report released 8 July 2008.

As part of a broader review exercise of the textiles, clothing and footwear (TCF) sector by Professor Roy Green, the Commission was requested by the Australian Government to undertake modelling of future assistance options in the sector. The Assistant Treasurer wrote to the Commission on 22 May 2008 to request its involvement, focussing on a number of different modelling scenarios and sensitivity analyses as contained in an accompanying letter from Professor Green.

The Commission was asked to model policy options covering a mix of tariff rates and levels of budgetary support. These included a base case scenario involving current TCF industry support arrangements, including current tariff arrangements under Australia's negotiated Free Trade Agreements and the current five programs and tariff pause announced under the TCF Post-2005 Assistance package. Seven other modelling scenarios, including a request to model maintaining the base case scenario but increasing the exchange rate to \$A/\$US parity, were also included. Reflecting particular concerns of the review, the Commission was also asked to carry out sensitivity simulations involving different assumptions about the degree of

‘pass through’ of tariff reductions in retail prices for consumers and about the ability of displaced workers to find re-employment. A further request was to model small productivity improvements in the industry posited to result from subsidies.

The Commission’s main findings from its modelling and associated analysis included the following:

- The textiles, clothing and footwear (TCF) sector currently receives assistance amounting to more than \$0.5 billion a year in net terms.
 - This equates to an effective rate of assistance of 12 per cent, nearly three times the average for Australian manufacturing. Clothing producers receive a much higher rate than textiles and footwear producers.
- Modelling projects net gains to the community from the current program of phased reductions in assistance.
 - The projected annual gains are relatively small from an economy-wide perspective, given the small size of the TCF sector itself.
 - Nearly all of the benefits come from the legislated reductions in tariffs rather than removal of financial support (which is much smaller in magnitude and does not increase prices).
 - Options involving smaller reductions in assistance generate smaller gains.
- Reductions in assistance place further pressure on TCF production and employment.
 - But they reduce total burdens on consumers and taxpayers amounting to nearly \$1.5 billion annually.
 - They also ease the export ‘tax’ effect of industry assistance and enable internationally competitive industries to attract the resources they need to expand.
- The modelling projects net gains from scheduled assistance reductions even when, as requested, applying such restrictive assumptions as tariff cuts not being fully passed on in lower consumer prices, or a related permanent increase in national unemployment.
- A simulated increase in the real exchange rate resulting from a 10 per cent increase in demand for Australia’s minerals has more than double the impact of scheduled assistance reductions on TCF production and jobs.
 - Seeking to resist such pressures through assistance to TCF would come at a cost to the economy.
- Any policy-induced improvements to productivity would moderate pressures on the TCF sector and enhance economy-wide gains.

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- But whereas reducing tariffs would likely spur innovation and productivity growth, budgetary support for innovation would only bring net benefits if it generated additional spillovers worth more than the additional costs.

Annual Review of Regulatory Burdens on Business — Manufacturing Sector and the Distributive Trades

Research report completed 29 August 2008, report released 16 September 2008.

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

The second yearly review reported on regulatory burdens in the manufacturing sector and distributive trades. The Commission's main findings and recommendations were:

- Regulation of the manufacturing and distributive trades sectors is complex and diverse, involving all tiers of government. This study proposes the reduction of specific Australian Government regulations which are unnecessarily burdensome for businesses in these sectors. These initiatives build on the significant amount of reform currently underway, including the expanded COAG regulation reform agenda.
- Many of the concerns raised by businesses related to jurisdictional differences in the implementation and enforcement of regulations. While governments are pursuing greater uniformity, this process is ongoing but incomplete, leading to a level of frustration by businesses.
- A common concern of businesses was poor communication with regulators. The information provided by regulators could be difficult to access, inconsistently communicated or costly to understand. Poor communication can also be a barrier to small businesses entering markets as they may be less able either to employ or to contract expert assistance to understand the regulations affecting them.
- Concerns which were the subject of other reviews (such as chemicals and plastics) have been referred to the relevant agency. This review has identified and addressed three main areas.
- Food regulation can be made less burdensome by
 - increasing national consistency of regulation
 - improving timeliness and transparency of decision making by the Australia New Zealand Food Regulation Ministerial Council

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- ensuring public health issues are considered by the Health Ministers’ Conference before referring any food regulation-related issues to the Australia New Zealand Food Regulation Ministerial Council.
 - The frameworks for approving and registering new medicines and medical devices can be streamlined by
 - reducing the time and cost, and improving the transparency, of assessment processes by the Therapeutic Goods Administration (TGA)
 - improving coordination between regulators where regulatory processes overlap
 - removing the TGA’s monopoly on conformity assessment for Australian manufacturers of medical devices by allowing manufacturers to choose a certification body approved by the TGA
 - a comprehensive review of health technology assessment processes.
 - Compliance and enforcement of environmental regulations can be improved to ensure the policy objectives are being achieved and that complying businesses are not disadvantaged. These regulations include
 - the Water Efficiency Labelling and Standards Scheme
 - energy labelling and minimum energy performance standards.

Government responses to reports from previous years

There were no government responses in 2007-08 to reports from previous years.

