
B Program performance

The role of the Productivity Commission is to contribute to well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards. It performs this role by undertaking independent and transparent analysis from a community-wide perspective.

The Commission's outputs comprise government-commissioned projects, performance reporting and other services to government bodies, regulation review activities, competitive neutrality complaints activities, as well as supporting research and statutory annual reporting.

This appendix reports on some general considerations in assessing the Commission's performance, the results of external feedback surveys undertaken in the year, and the Commission's outputs and related performance in 1998-99.

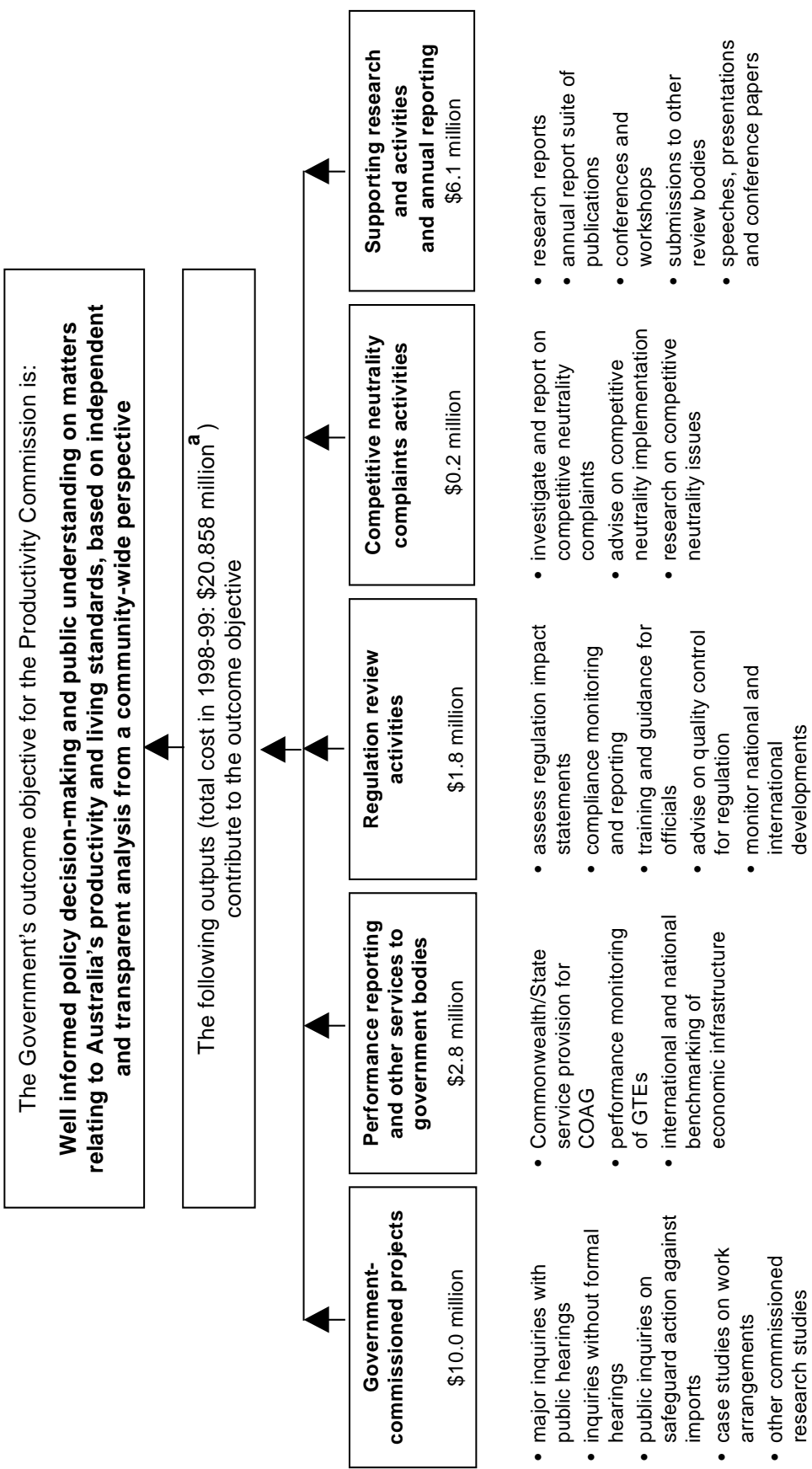
Assessment of the Commission's performance

The Commission's inquiry, research, advisory and associated activities derive from its statutory functions. Having regard to the Government's accrual budget outcome and output framework, and with the agreement of the Treasurer, these activities have been categorised into five outputs:

- government-commissioned projects;
- performance reporting and other services to government bodies;
- regulation review activities;
- competitive neutrality complaints activities; and
- supporting research and activities and annual reporting (figure B.1).

The outcome by which the Commission's overall performance is to be assessed is well informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

Figure B.1 Productivity Commission outcome/output framework



^a All costs are on a cash basis. On an accrual basis, total cost was \$21.903 million while accrual based costs for the five outputs are reported elsewhere in this appendix.

As required under the parliamentary guidelines for annual reports, a summary of staff and financial resources used by the Commission in producing its outputs in 1998-99 is in table A.1 of appendix A.

Interpreting performance indicators for the Commission

Assessment of the Commission's performance needs to take account of a range of factors. For example:

- The effectiveness with which the Commission's outputs contribute to the achievement of its designated outcome can be difficult to assess and is often subjective.
 - The Commission is but one source of policy advice on matters relating to Australia's productivity and living standards.
 - Feedback on the Commission's performance often can be of an informal kind, which is hard to document and collate systematically.
 - Views about its performance can reflect the interests of those affected by its analysis or advice.
- The Commission's work program covers contentious and complex structural policy issues on which the Commission's impact should properly be assessed over the medium to longer term. For example:
 - During 1998-99 sittings, federal parliamentarians made extensive use of the Industry Commission's 1997 report on private health insurance and the analysis behind its proposal for lifetime community rating, and referred to fringe benefits and salary packaging issues raised in the Industry Commission's 1996 report on charitable organisations, as well as to that Commission's 1994 report on R&D, and even to the 1987 Industries Assistance Commission report on manufacture in bond.
 - The report of the Audit Office of NSW on industry assistance programs administered by the Department of State and Regional Development, which was tabled in December 1998, drew extensively on the 1996 Industry Commission report on State, Territory and local government assistance to industry.
- Although the processes the Commission brings to bear are mostly within its control, the quantum and scope of the Commission's work are largely determined externally. This includes the number and timing of government-commissioned projects, regulation impact statement assessments and competitive neutrality complaints. Similarly, its secretariat and research work for the Review of Commonwealth/State Service Provision is guided by a Steering

Committee. One implication for any broad assessment of the Commission's performance is its need to vary resources amongst its different outputs. Thus, for example, the number or timeliness of outputs from the Commission's supporting research program need to be interpreted in the light of the demands of its public inquiry workload. Further, projects can vary widely in terms of the scope and complexity of issues and the time needed to allow adequate public consultation and participation.

- The Commission has no control over the release of its final inquiry reports or the time taken for decisions on such reports. Extended delays in the tabling of final reports in parliament and decision making can compound the difficulties of assessing outcomes. The Productivity Commission Act, like the Industry Commission Act, requires that the Minister table inquiry reports within 25 sitting days of receipt. Two Industry Commission inquiry reports — ecologically sustainable land management and telecommunications equipment, systems and services — were tabled in 1998-99 well after the due date. Initiatives were taken by the Government to finalise decisions on a range of reports dating back to 1996 (reported in appendix C) and to meet the statutory tabling requirements. Productivity Commission reports on international air services and the implementation of ecologically sustainable development by Commonwealth departments and agencies were not tabled within 25 sitting days.

In reporting against each of its outputs in subsequent sections, the Commission has attempted to do so against the performance indicators agreed under the Government's accrual budget outcome and output framework. Strictly speaking, reporting against these indicators is not required until 1999-2000, but the Commission has utilised the framework this year in order to be better placed for such reporting next year.

In regard to reporting on quality indicators for its various outputs, the Commission is developing an approach which relies on best practice quality assurance techniques and feedback from users, with assessment against specific criteria. Feedback (solicited and unsolicited) is discussed below. Quality assurance includes project scoping and resource allocation, internal refereeing and, increasingly, the engagement of external referees. Where external referees assess modelling undertaken for an inquiry, for example, their views are included in the published report.

Criteria being developed to assess quality include whether:

- all relevant questions (as specified in terms of reference, for example) have been addressed;
- all appropriate information has been brought to bear in analysis;

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- appropriate consultation with interested parties and experts in the field has occurred;
 - material relied upon is as accurate as possible;
 - robust and up-to-date analytic techniques have been used;
 - conclusions are supported by rigorous argument; and
 - reports are well written and presented.

Feedback surveys

In April 1999 the Commission initiated two surveys in order to understand better how it is perceived externally, to gauge the effectiveness of its work and processes, and to obtain suggestions for its work program (box B.1). Such surveys provide one source of information on the Commission's performance which can help it identify ways to do better.

Commission attributes which respondents rated most highly — more than 80 per cent agreement — are summarised in table B.1, whereas those attributes for which there was less than 60 per cent agreement are listed in table B.2.

Box B.1 Feedback surveys

The Commission conducted two related surveys between April and June 1999, a *Feedback Survey* and an *Inquiry Feedback Survey*. Each survey contained four sections — views on the Productivity Commission, the readability of its reports, general comments and the inquiry process — each offering a mixture of open and closed questions. Although each survey contained the same set of questions, different sections were optional. While respondents were classified to groups, the Commission undertook not to identify individuals. The main groups comprised respondents in associations (including unions), business, State government bodies, Commonwealth bodies and universities.

The Feedback Survey was mailed to 540 potential respondents, and the Inquiry Feedback Survey to 300 potential respondents. Respondents were chosen largely from the Commission's general mailing list and, at random, from participants in three recent inquiries (nursing home subsidies, pigs and pigmeat and international air services) and Steering Committee contacts.

The Feedback Survey and the Inquiry Feedback Survey achieved response rates of 31 per cent and 25 per cent, respectively. A large majority of respondents answered all sections of their survey. The Commission intends to release the survey results.

The Commission rated highly in terms of two of its three operating principles — the provision of independent analysis and advice and the use of processes that are open and transparent. The Commission's independence and impartiality were ranked first in importance by respondents. Perceptions of the Commission's performance in meeting its third operating principle — to take a community-wide perspective — received lower support, with nearly two thirds of respondents agreeing that the Commission took this perspective in its reports.

The majority of respondents considered that the Commission's work made a 'vital' contribution to current policy issues and debates (which ranked second in terms of importance to respondents), although less than half considered that the Commission was used effectively by government. A little more than half of respondents considered that the Commission generally has a good reputation within the community.

Table B.1 Commission attributes: widely held respondent views

<i>View/perception</i>	<i>Level of agreement</i>
	per cent
The Commission encourages participation by all parties with an interest in the inquiry	95
The Commission produces high quality inquiry and research reports	91
Commission reports are an important source of reference material	89
The Commission is independent and impartial	88
The inquiry process is open and transparent	87
The Commission's work makes a vital contribution to current policy issues and debates	86
The Commission's inquiry and research processes are consultative and transparent	86
The arguments presented in each report are clear	85

Table B.2 Commission attributes: less widely held respondent views

<i>View/perception</i>	<i>Level of agreement</i>
	per cent
Those without considerable resources are still able to participate effectively	58
The Commission generally has a good reputation within the community	55
Questioning of participants in public discussion forums is thorough ^a	54
The Commission is sensitive to State issues	51
The Commission is sensitive to the social impacts of its recommendations	50
The public inquiry process enables participants to easily rebut/respond to ideas of others	48
The Commission is used effectively by government	40
Some Commission reports are overly driven by quantitative modelling ^a	24

^a A high percentage (over 30 per cent) of 'no opinion' was recorded for these attributes.

Attributes on which only around half of the respondents agreed, were the Commission's sensitivity to the social impacts of its recommendations and its sensitivity to State issues.

The Commission's reports rated highly in terms of quality and clarity, and as a source of reference material. Forty three per cent of respondents disagreed with the statement that some Commission reports were overly driven by quantitative modelling.

Respondents commented favourably about the Commission's inquiry processes, particularly with respect to encouraging participation by interested parties and transparency. However, up to half of respondents were critical of the thoroughness of questioning of participants in public forums, the ease with which participants in the public inquiry process could respond to the ideas of others and the resources needed to participate effectively in an inquiry.

In the main, the results for each of the respondent groups did not differ significantly from the overall results. Nevertheless, the Commission generally rated better with universities and government, and less well with associations (including unions).

The Commission intends to factor the issues raised by respondents into the consideration of ways in which its performance can be enhanced. For example, rather than participants having to purchase copies of inquiry submissions and hearing transcripts or to view them in the Commission's offices or State Libraries, the Commission has moved to place these documents routinely on its internet website. This is allowing many people to have earlier and less costly access to the views and analysis being put to the Commission.

Other broad-based performance indicators

In addition to the performance indicators for 1998-99 referred to in chapter 3 and those detailed elsewhere in this appendix, recognition of the ability of the Commission to contribute to policy making and public understanding through independent and transparent analysis was demonstrated by:

- the call by all the Premiers and Chief Ministers in July 1999 for the Productivity Commission to undertake a wide-ranging inquiry into the nation's health system;
- the proposal by the Chief Minister of the ACT for the Commission to undertake a review of the role of competition in the medical specialist workforce;
- the support of the National Competition Council for, and the willingness of Victorian and Tasmanian Governments to cooperate with, national reviews of regimes for workers compensation and compulsory third party motor vehicle insurance by the Commission;

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- the call in January 1999 by the Australian Chamber of Commerce and Industry for the Commission to review cost recovery arrangements for regulatory agencies;
 - requests, approved by the Treasurer or Assistant Treasurer, for the Commission to undertake research studies on behalf of the ACT Government and the Minister for Industry, Science and Resources; and
 - the agreement of all parties to the General Practice Memorandum of Understanding of 6 August 1999 that, in the event a mutually acceptable conciliator cannot be agreed, the Commission may be asked to appoint a conciliator. The Memorandum is between the Commonwealth of Australia, the Royal Australian College of General Practitioners, the Rural Doctors Association of Australia and the Australian Divisions of General Practice, and operates for the three years to 30 June 2002.

The remaining sections of this appendix report on the activities and performance for each of the Commission's five outputs.

Government-commissioned projects

These are major tasks commissioned or explicitly requested by Australian governments. The tasks encompass the conduct of public inquiries, work arrangements case studies, program evaluations, taskforces and other commissioned research projects. These projects typically involve extensive public consultation.

In response to these requests, the Commission aims to undertake projects in accordance with required processes and to produce reports which are of a high standard, delivered on time and are useful to government. Performance against these indicators is reported below.

The resources used in producing this output in 1998-99 are estimated to have been:

- 70.9 staff years; and
- \$10.0 million on a cash basis, or \$10.5 million on an accrual basis.

Activities in 1998-99

The Commission had 15 government-commissioned projects under way at some time during the year. The program of government-commissioned projects is summarised in table B.3.

The range of public inquiries under way indicates the diversity and complexity of the policy issues to which the Commission has been asked to contribute in recent years.

- The three inquiries completed in the year were on the Australian black coal industry, international air services, and safeguard action for the pig and pigmeat industries.
- Two further inquiries were commenced and finalised within the year: nursing home subsidies and the implementation of ecologically sustainable development by Commonwealth departments and agencies.
- Six other inquiries also commenced: progress in rail reform; the economic and social impacts of Australia's gambling industries; the impact of competition policy reforms on rural and regional Australia; international telecommunications market regulation; broadcasting; and international liner cargo shipping.

In January 1997 the Treasurer commissioned a series of research studies into work arrangements in stevedoring and the black coal industry, with studies of meat processing and building and construction to follow. The studies aimed to highlight

Table B.3 Program of public inquiries and other government-commissioned projects^a

	1997-98						1998-99						1999-00												
Month	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
Public inquiries:																									
The Australian black coal industry																									
International air services																									
Pig and pigmeat industries: safeguard action																									
Nursing home subsidies																									
Progress in rail reform																									
Implementation of ESD																									
Australia's gambling industries																									
Impact of competition policy on rural and regional Australia																									
International telecommunications market regulation																									
Broadcasting																									
International liner cargo shipping																									
Case studies on work arrangements:																									
Meat processing																									
Large capital city building projects																									
Commissioned research studies:																									
Battery eggs sale and production in the ACT																									
Environmental performance of commercial buildings																									

^a Shaded area indicates the approximate duration of the project in the period covered by the table.

the benefits and costs of workplace arrangements — involving both workers and management, and formal and informal arrangements.

- The Commission's research report on work arrangements in container stevedoring was released in April 1998.
- The black coal study was incorporated into a broader public inquiry on Australia's black coal industry conducted by the Commission, the report on which was finalised in July 1998 and released by the Government in February 1999.
- The Commission released its study of work arrangements in Australia's meat processing industry in October 1998.
- It also conducted a study of work arrangements on large capital city building projects during 1998-99, the report on which was released on 24 August 1999.

The Commission also undertook two other government-commissioned research projects:

- an investigation of the public benefits of banning the production and sale of eggs from battery caged hens in the ACT and associated labelling requirements. The study had been requested by the Treasurer on behalf of the ACT Government; and
- a six-month research study on the environmental performance of commercial buildings which the Commission commenced in June 1999. This study was foreshadowed the previous month in the Government's Building and Construction Industries Action Agenda.

Trends in inquiry activity and participation are shown in table B.4. The details of individual projects are provided in appendix C.

Table B.4 Public inquiry activity, 1995-96 to 1998-99

<i>Indicators</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>
References received	5	4	4	8
Issues papers released	5	4	3	9
Public hearings (sitting days) ^a	33	32	30	57
Organisations/people visited ^b	586	375	241	277
Submissions ^b	1 329	774	626	421
Draft reports/position papers completed	5	6	4	6
Reports completed	5	7	3	5
References on hand (at 30 June)	5	2	3	6

^a Excludes forums and round-table discussions. ^b As distinct from hearing days, which are attributed to the year in which they occur, visits and submissions relate to inquiries completed in that year.

The Commission endeavours to conduct government-commissioned projects in an economical manner. For the inquiries completed in 1998-99, total estimated costs (covering salaries, direct administrative expenses and an allocation for corporate overheads) are as shown in table B.5. Costs for other government-commissioned projects completed in the year are also listed.

The major administrative (non-salary) costs associated with public inquiries and other government-commissioned projects relate to the Commission's extensive consultative processes and the wide dissemination of its draft and final reports. Comparisons of these costs for the period 1995-96 to 1998-99 are in table B.6. Variations in the administrative cost of inquiries and other commissioned projects arise from the extent and nature of public consultation, the number of participants, the complexity and breadth of issues, the need for travel, printing costs and the duration of the inquiry or project.

Table B.5 Cost of public inquiries and other commissioned projects completed in 1998-99^a

<i>Government-commissioned project</i>	<i>Total cost</i>
	\$'000
The Australian black coal industry	1 695
International air services	1 114
Pig and pigmeat industries: safeguard action against imports	306
Nursing home subsidies	335
Implementation of ecologically sustainable development by Commonwealth departments and agencies	714
Work arrangements in the Australian meat processing industry	407
Battery eggs sale and production in the ACT	74

^a Includes overheads.

Table B.6 Direct administrative expenditure on commissioned projects^a, 1995-96 to 1998-99

<i>Expenditure item</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>
	\$	\$	\$	\$
Travel	557 162	307 157	326 663	471 210
Printing	263 316	269 305	162 932	107 589
Consultants	160 362	122 578	163 957	228 509
Other ^b	322 700	165 105	131 498	240 072
Total	1 303 541	864 145	785 051	1 047 380

^a Expenditure other than salaries and corporate overheads. Data before 1998-99 differ from that published in previous annual reports because all government-commissioned projects, not just inquiries, are now included in the table. ^b Includes other costs, such as advertising, venue hire, court reporters/transcription services and data acquisition.

Consultative processes

The practice of consulting widely with industry, government departments and agencies, unions, academics and the broader community during the course of inquiries continued in 1998-99. Trends in the number of visits conducted and public hearing days held are shown in table B.4.

Commission initiatives in the year to enhance the ways in which its inquiries drew on and encouraged community input are discussed in chapter 3. In particular, these included the extensive round-table discussions undertaken in the course of inquiries on Australia's gambling industries and the impact of competition on rural and regional Australia, the release of 'position papers' in inquiries with tight reporting times and the holding of modelling workshops.

The Commission extended inquiry-like processes to the conduct of its other government-commissioned projects. For example:

- As part of its study of work arrangements on large capital city building projects, the Commission met with around 60 interested parties, including industry and client building associations, major national contractors, specialist subcontractors, and Commonwealth and State government departments. The Commission also visited five building sites and held detailed discussions with managers, supervisors, employees and union delegates. It advertised the study in the press, released an Issues Brief early in the course of the study, and released a 'Work-in-Progress' report which summarised the Commission's preliminary thinking. The Commission received a total of 30 submissions in response to both the issues brief and the 'Work-in-Progress' report.
- The Commission advertised the commencement of its research study of ACT battery hen regulation and sought public submissions, of which more than 100 were received. Copies of major submissions were distributed to organisations for comment, and the Commission held discussions with representatives of animal welfare groups, egg producers, scientists and relevant ACT and Commonwealth government officials.

Quality indicators

A range of 'quality assurance' processes is built into the way the Commission conducts its public inquiries and other government-commissioned projects. The Commission receives extensive feedback on the accuracy and clarity of its analysis of its inquiry work and the relevance of its coverage of issues. Much of this feedback is on the public record through submissions on draft reports or position papers, and transcripts of public hearings. In addition to the dissemination of

‘Work-in-Progress’ reports to interested parties, the Commission’s quality assurance process for its research studies on work arrangements in Australia’s meat processing industry and on large capital city building projects also encompassed comments from independent referees.

The Commission’s initiatives in drawing on wider sources of expertise where economic modelling is used in these projects and extending inquiry-like processes to other government-commissioned projects are documented elsewhere in this report.

The results of the feedback surveys conducted in mid-1999 indicated that the Commission has a reputation for quality work. More than 90 per cent of respondents agreed that the Commission produced high quality inquiry and research reports even though some respondents were more critical of other aspects of its operations. As noted above, future feedback surveys will contain more specific questions on the different dimensions of quality.

The Government’s formal responses to the work it has commissioned potentially provide another indicator of the quality of that work. These responses are also an indicator of usefulness and are reported under that heading below. More detail on government responses to Commission reports in 1998-99 is provided in appendix C.

Timeliness

Notwithstanding some relatively tight reporting periods, the Commission completed all of its government-commissioned projects on schedule in 1998-99. The Commission’s inquiry program contained a large proportion of projects with relatively short reporting timeframes: 140 days to report on safeguard action for the pig and pigmeat industries; six months for the inquiries on nursing home subsidies, international telecommunications market regulation and international liner cargo shipping; and nine months each for international air services and the implementation of ecologically sustainable development. In all except the last of these inquiries, the Commission was required to hold public hearings.

Indicators of usefulness

The usefulness of government-commissioned projects undertaken by the Commission in contributing to policy making and public understanding is demonstrated by a range of indicators.

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- The usefulness of Commission reports completed in the past year is demonstrated, in part, by reference to them in parliamentary debate and questions. For example:
 - The Commission's inquiry and report on nursing homes subsidies, which was released in March 1999 and to which the Government is formulating a response, were referred to on 22 occasions by 11 different Members and Senators in Parliament, as well as in Senate Estimates hearings. Other reports drawn on in Federal Parliament this year were the final reports on the black coal industry, international air services and pigs and pigmeat.
 - Preliminary analysis in Commission draft reports was also used in parliament. For instance, findings in the draft report on the impact of competition policy on rural and regional Australia were used by Senators and Ministers. The Commission's analysis of vertical separation issues in its draft report on progress in rail reform was used by government and opposition members in debate on the Rail Freight System Bill 1999 in the Western Australian Parliament.
 - The Commission's impact on policy making is revealed most directly through government decisions on its reports. In 1998-99 the Government announced that it supported all the Commission's recommendations in the black coal report and would work with the States to ensure their implementation. The broad acceptance of recommendations in other inquiry reports — safeguard action for pigmeat, international air services and a number of Industry Commission reports dating back to 1996 — as well as government responses which differed from Commission recommendations, are documented in appendix C.
 - Endorsement of the Commission's analyses of productivity-restricting work practices in the coal mining and meat processing industries is found in recent decisions by the Australian Industrial Relations Commission (AIRC).
 - In its report on Australia's black coal industry, the Productivity Commission recommended that a range of matters should not be included as part of allowable award matters. In its Curragh decision, for example, the AIRC (1998) rejected calls for award provisions to regulate staffing levels, impose skill and job demarcations, regulate the engagement of contractors, give preference to seniority in rostering and selection for redundancy, and incorporate past 'custom and practice' agreements.
 - The AIRC used the Commission's study of work arrangements in Australian meat processing industry in its deliberations on the simplification of the Federal Meat Processing Industry Award. In particular, the AIRC (1999b) cited the Commission's description and summary of the tally system, the

extent of its use and the system's adverse effect on productivity. The AIRC determined that tally provisions would not be retained in the award.

- A measure of the Commission's effectiveness in contributing to public understanding is the media coverage of its reports and use of its website. For inquiries current in 1998-99, the Commission's website pages were accessed approximately 144 200 times in the 12 months to June 1999. The Commission's inquiries and reports receive extensive media coverage and there were seven editorials on inquiries current in the year. Use of Commission reports by people outside government can be difficult to track, but one example during the year was the use of the Commission's draft report on the implementation of ESD by a number of groups in Senate Committee hearings on the Environment Protection and Biodiversity Conservation Bill 1998.

Performance reporting and other services to government bodies

The Commission undertakes three major activities in this output group. It:

- provides secretariat, report preparation and research services to the Steering Committee for the Review of Commonwealth/State Service Provision in respect of developing performance indicators for government provided or funded services and analysing reforms in these services;
- continues some performance monitoring and conducts related research on government trading enterprises, work the Commission previously undertook for the now disbanded COAG Steering Committee on National Performance Monitoring of Government Trading Enterprises; and
- undertakes national and international benchmarking of the performance of key Australian industries — primarily economic infrastructure and government services — to help identify and provide information on significant gaps in performance.

The Commission aims to produce reports of a high standard which are completed on time and useful to government.

The resources used in producing the Commission's performance reporting output in 1998-99 are estimated to have been:

- 25.1 staff years; and
- \$2.8 million on a cash basis, or \$2.9 million on an accrual basis.

Activities in 1998-99

The six publications arising from the Commission's performance reporting activities this year were:

- *Performance of Government Trading Enterprises 1991-92 to 1996-97*;
- *Report on Government Services 1999, volumes 1 and 2*;
- *Superannuation in the Costing of Government Services*;
- *Implementing Reforms in Government Services*;
- *Feedback on the Government Services Report*; and
- *International Benchmarking of Australian Telecommunications*.

Review of Commonwealth/State Service Provision

The Review of Commonwealth/State Service Provision was established by the Prime Minister, Premiers and Chief Ministers in July 1993. Its main tasks are to develop, and publish data on, agreed national performance indicators for key services delivered by governments in Australia and to analyse reforms in government services (chapter 2). The aim is to work cooperatively to facilitate and encourage innovation in the delivery of services.

The fourth *Report on Government Services* was released in February 1999 (SCRCSSP 1999a). Reporting is an ongoing process, and each year the Steering Committee endeavours to build on developments in previous years. The 1999 Report:

- extended its scope to include medical general practice, mental health and rent assistance;
- included performance information on emergency management and breast cancer control for the first time, and added new indicators for children's services;
- improved the quality and comparability of data for vocational education and training, health, courts, corrective services, aged care, children's services and housing;
- enhanced the reporting on a range of existing indicators; and
- provided more contextual information to assist the interpretation of performance indicators.

The estimated cost to the Commission of assisting governments in the production of the 1999 Report was around \$1 million (compared with \$808 000 for the 1998 Report).

The Review is continuing to refine the methodology for measuring the performance of government services and to improve the comparability of the data in the Report on Government Services.

- The Review's research paper, *Superannuation in the Costing of Government Services*, which was released in September 1998, investigated the treatment of superannuation costs across jurisdictions and developed approaches to improve the accuracy and comparability of unit cost comparisons (SCRCSSP 1998b).
- In consultation with the Heads of Treasuries Accounting and Reporting Advisory Committee, the Review initiated an approach to including the cost of capital in unit cost data. The 1999 Report included a user cost of capital for vocational education and training, health, public housing and corrective services.
- The Review also began research on the treatment of payroll tax and the development of a range of approaches to improve the comparability of unit cost data (published in September 1999, (SCRCSSP 1999b)).

The Review is also expanding the dimensions of performance for which indicators are presented, particularly relating to quality. For example, the Review commissioned a consultancy to obtain client satisfaction information from people with disabilities and another consultancy to further develop outcome indicators for child protection and supported placements. In March 1999 the Review began research into the lessons of Australasian police agencies in undertaking activity-based measurement as a means of improving the quality of cost data (published in September 1999, (SCRCSSP 1999c)).

In September 1998 the Review published a second series of case studies examining the implementation of reforms in government services (SCRCSSP 1998a). The case studies documented how other governments are implementing reform in four areas and included some checklists for effective reforms based on the experience of the Review to date. The case studies examined the devolution of decision making in government schools in Victoria, competitive tendering and contracting for public hospital services in New South Wales, consumer funding and choice for services to people with disabilities in Western Australia, and the pricing of transcription services in Commonwealth courts.

In conjunction with the 1998 *Report on Government Services*, the Secretariat conducted a survey of the report's primary target audience, releasing the results in November 1998 (box B.2). The aims of the survey were to: assist jurisdictions to understand better how the Report is being used, and the costs and benefits of their involvement; inform all those involved in producing the Report of potential refinements and enhancements; and assess the extent to which the Report meets the broad objectives established by governments.

Performance monitoring of government trading enterprises

In October 1998 the Commission published a review of performance improvements in government trading enterprises over the period 1991-92 to 1996-97, tracking outcomes for consumers and users, employees and the community generally (PC 1998a). This report provided a concluding overview to a series of reports prepared under the auspices of the Steering Committee on National Performance Monitoring of Government Trading Enterprises since 1991 and for which the Commission provided secretariat and research services.

At the time of the disbandment of the Committee, the Commission indicated that it would continue to monitor government trading enterprises as part of its research activities. In July 1998 the Commission proposed, and sought agreement from jurisdictions, to use financial performance indicators derived from the ABS Government Finance Statistics collection. Delays in obtaining agreement to the approach and commitments to cooperate for a three-year period meant that a report

Box B.2 Feedback on the 1998 Report on Government Services

At the request of its Steering Committee, the Secretariat undertook a survey in 1998 of the Report's primary target audiences: report users, principally central and line agency officers responsible for strategic and policy planning in areas covered by the Review; and those who assisted in producing the Report.

The main findings from the respondent feedback were as follows:

- 70 per cent of respondents used the Report;
- 80 per cent or more of respondents in central agencies considered that the Report is 'important' or 'very important' for strategic and policy planning/evaluation and for identifying other jurisdictions with whom to share information on services;
- respondents who used the Report rated the relevance of its information as 'very good' (40 per cent of respondents) or 'adequate' (50 per cent); the credibility and objectivity of information were rated 'very good' or 'adequate' by one third of respondents and 60 per cent of respondents, respectively; and the timeliness of information was rated 'very good' by a quarter of respondents or 'adequate' by a further 70 per cent of respondents; and
- central agency users were generally more positive than line agency users about the usefulness of the Report and the quality of its information. For example, whereas 40 per cent central agency users rated the reporting of effectiveness and efficiency measures as 'very useful', the proportion for line agency users was around 25 per cent.

Source: Secretariat for the Review of Commonwealth/State Service Provision (1998).

for 1997-98 could not be produced. Project commencement will now coincide with the introduction of accrual-based accounting in the Government Finance Statistics, with data for 1998-99 available soon. Where adjustments can be made, the Commission also intends to report data for the previous year.

Benchmarking

The Commission released its international benchmarking report on Australian telecommunications services in March 1999. The study is part of a continuing program of research into the performance of economic infrastructure industries, which was commenced by the Bureau of Industry Economics. The report compared the performance of the Australian telecommunications service industry with that in eight other OECD countries. It improved on earlier studies by:

- using prices charged in the lowest price discount plan that is widely available and consistently offered in the relevant market, rather than ‘standard plan’ prices;
- covering a wide range of services for residential customers and different sized businesses; and
- comparing differences in regulatory approaches — such as universal service obligations, price controls, and interconnection/access arrangements to existing networks — because of the influence these can have on relative price performance.

The Commission has commenced a benchmarking study of regulatory arrangements for setting quality standards for drinking water in Australia and overseas.

The Commission’s other recent international benchmarking studies were undertaken as part of its inquiry work and are classified under that output.

- As part of its inquiry on Australia’s black coal industry, the Commission was asked to benchmark the productivity performance of Australian black coal mines against best practice in comparable international black coal mines and in analogous Australian metalliferous mines. The findings were included in the Commission’s inquiry report, which the Government released in February 1999.
- As part of its inquiry on progress in rail reform, the Commission was asked to report on international best practice in rail. The findings are included in the Commission’s final report (PC 1999d) which has yet to be released.

Quality indicators

Although assessments of quality are subjective, the Commission has a range of ‘quality assurance’ processes in place for its performance reporting activities. These processes help to ensure that it is using the best information available and most appropriate methodologies — thereby increasing confidence in the quality of the performance reporting.

- The Commission’s work for the Review of Commonwealth/State Service Provision is guided by a Steering Committee. This Steering Committee consists of senior officers from each of the jurisdictions, chaired by the Chairman of the Productivity Commission, and serviced by a secretariat drawn from the staff of the Productivity Commission. The Committee is, in turn, supported by 12 national Working Groups — totalling around 160 people who provide specialist knowledge on each service area — and draws on other bodies such as the ABS, the Australian Institute of Health and Welfare, and the Ministerial Council on Education, Employment, Training and Youth Affairs.
- The Commission’s report on the outcomes of government trading enterprise reforms between 1991-92 and 1996-97 benefited from the assistance of State and Territory Treasury officials.
- The Commission’s international benchmarking of Australian telecommunications services involved extensive consultation with industry, government agencies and consultants throughout the study, as well as independent referees. Interested parties were provided opportunities to examine the price comparison models used and their input data. The Commission also held a workshop in December 1998 to provide a forum to discuss methodology, the preliminary results and their interpretation.

A further indicator of the quality of the telecommunications study was the invitation for the Commission to attend an OECD workshop on international benchmarking of telecommunications because of its work in refining previous OECD methodology. Telecommunications businesses and regulators from member countries agreed to adopt the Commission’s approach in future OECD benchmarking.

The Commission was invited to brief interested researchers and government officials from Thailand and Japan about its measurement of the performance of government services, and responded to queries about methodology and data from people in Hong Kong, Canada, New Zealand and Kuwait during the year.

Timeliness

Publications arising from the Review of Commonwealth/State Service Provision in 1998-99 were completed on schedule. Although competing Review activities delayed commencement of the case studies examining the implementation of reforms in government services, the publication schedule was maintained.

The delay in commencing the reporting of financial performance indicators derived from the ABS Government Finance Statistics collection, and the reason for the delay, were reported above. The publication of the Commission's overview of government trading enterprise performance in September 1998 discharged the commitment made when the sixth (and final) report of the Steering Committee on National Performance Monitoring of Government Trading enterprises was released in April 1998.

The Commission's international benchmarking study of Australian telecommunications services was initially anticipated to be completed in June 1998. A widening in the scope of the benchmarking, refinements in price comparison methodology and extensive consultation with government, industry and consultants, delayed project completion until March 1999. These processes, however, helped to increase confidence in the final report. One consequence of the delay in project completion was that its price comparisons, undertaken in February 1998, became more dated. Nevertheless, the study provides a baseline for future measurement of the success of the Australian regulatory regime introduced in July 1997. It has also enabled the Commission to move quickly to update the results to June 1999, monitor changes in pricing structures and assess the feasibility of expanding the coverage of the international price comparisons to selected Asian countries. Publication of this work is expected at the end of 1999.

Indicators of usefulness

The usefulness of the Commission's performance reporting activities in contributing to policy making and public understanding is demonstrated by a range of indicators.

Evidence relating to the Commission's work for the Review of Commonwealth/State Service Provision is available from a number of sources.

- Feedback from Steering Committee members — senior representatives from each State and Territory, the Commonwealth and local government — indicates that the 1999 Report was generally well received and that the reports on government services have become important inputs to budgetary negotiations and policy reviews.

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- The continuing support of the various jurisdictions in improving and enlarging the scope of the Review's reporting confirms its relevance, credibility and quality — features corroborated by the feedback survey on the 1998 Report (box B.2).
 - Performance information in the 1999 Report has been used extensively in parliamentary debates and questions by both government and opposition members. For example:
 - The Report prompted questions about policing and child care in the Commonwealth Parliament and school funding in the South Australian Parliament.
 - The performance information on policing, education, public housing, disability services, child care, public housing and hospitals from the Report was drawn on by Members and Ministers in the Victorian Parliament between March and June 1999.
 - In addition to promoting debate on education policy in the ACT (chapter 2), information from the Report — on public hospital operating costs, court efficiency, and public housing waiting lists and the mismatch between public housing stock and demand — featured in Assembly proceedings in the three months following its release.
 - The Review's work on the treatment of superannuation costs and the cost of capital is being incorporated in its performance reporting so as to better inform judgments which rely on comparisons of unit cost data.
 - The 1999 Report on Government Services received extensive media coverage. In the period since its release, there have been around 90 press articles drawing on the report and it has been mentioned 73 times and 13 times on radio and television, respectively. Nearly 1680 copies of the report were distributed by the Commission and a further 300 copies were sold through government bookshops. External clients had used the Commission's website to access the report more than 2500 times in the period to 30 June 1999.
 - Commission staff have been invited to speak to a wide range of groups about the work of the Review and its approach to performance measurement. Details of the 12 presentations are provided in appendix D.

The usefulness of the reports on government trading enterprises and Australian telecommunications services to the Commission's performance outcome objective is demonstrated by a number of indicators.

- For example, State Government officials reviewed the report on government trading enterprise performance before its release and commented favourably on it as one of the few attempts to document comprehensively the benefits of

microeconomic reform outcomes. The information base provided in the report has been used by the Commission in its inquiry on the impact of competition policy on rural and regional Australia and by the National Competition Council. The Victorian Parliamentary Secretary (Treasury and Multimedia) made extensive use of the report's findings in parliamentary debate on the Electricity Industry Acts (Amendment) Bill in November 1998. Around 1300 copies of the report were made available and the report was accessed 745 times on the Commission's website in 1998-99. The report received 20 mentions in the media in the two weeks following its release.

- The Australian Competition and Consumer Commission and the Australian Telecommunications Users Group advised that the Commission's international benchmarking report on Australian telecommunications services was helpful because it was the only source of objective information on the relative performance of the Australian industry. More than 1200 copies of the report have been distributed and the report was accessed 1185 times on the Commission's website in 1998-99. The report received about 140 mentions in the media, including coverage in editorials.

Regulation review activities

Regulation review matters are dealt with principally by the Office of Regulation Review (ORR) which is part of the Productivity Commission. The activities of the ORR in the past year are covered in detail in a separate publication, *Regulation and its Review 1998-99* (PC 1999g).

The objective of the Commission's regulation review activities is to improve the effectiveness and efficiency of legislation and regulations developed and administered by Commonwealth departments and regulatory agencies. The Commission aims to assess Regulation Impact Statements (RISs) and undertake associated activities to a high standard, with advice that is timely and useful to government.

The resources used in producing this output in 1998-99 are estimated to have been:

- 15.6 staff years; and
- \$1.8 million on a cash basis, or \$1.9 million on an accrual basis.

Activities in 1998-99

The range of activities which the ORR is required to undertake is outlined in its charter (box B.3).

In advising on quality control mechanisms for making and reviewing regulation in 1998-99, the ORR:

- provided guidance to Commonwealth Government departments and agencies on appropriate terms of reference for nine legislation reviews undertaken as part of a four-year Australia-wide program under the Competition Principles Agreement to review and reform all legislation which restricts competition;
- in the process of examining RISs, gave advice on 543 different regulatory issues, of which 49 concerned amendments to taxation arrangements; and
- examined 19 RISs for Ministerial Councils, of which 17 had already been considered by national standard-setting bodies.

During the year, the ORR conducted 25 general training sessions in 17 different departments or regulatory agencies attended by some 360 Commonwealth officials.

The two main reports completed by the ORR were:

- *Regulation and its Review 1997-98*, released in December 1998, which contained the first comprehensive report on compliance with the Government's regulation review requirements; and

Box B.3 Charter of the Office of Regulation Review

In 1997 the Government directed that the ORR issue a charter outlining its role and functions. The elements of the ORR's charter outline its seven principal outputs. In brief, these are to:

- advise on quality control mechanisms for regulation making and review;
- examine and advise on Regulation Impact Statements (RISs) prepared by Commonwealth departments and agencies;
- provide training and guidance to officials;
- report annually on compliance with the Commonwealth Government's RIS requirements;
- advise Ministerial Councils and national standard-setting bodies on regulation making;
- lodge submissions and publish reports on regulatory issues; and
- monitor reform developments in the States and Territories, and in other countries.

These functions are ranked in order of the Government's priorities and the ORR must concentrate its limited resources where they will have most effect. The ORR, together with the Treasury, advises the Assistant Treasurer in his role as the Minister responsible for regulatory best practice and the Minister for Financial Services and Regulation on legislative review matters.

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- *A Guide to Regulation (2nd Edition)*, which incorporated the Government's decision to strengthen the scrutiny and assessment of 'quasi-regulation' and to make such regulation more effective and accessible, was also published in December 1998. Quasi-regulation refers to a wide range of rules or arrangements — such as codes of conduct or advisory notes — by which governments influence businesses to comply, but which do not form part of explicit government regulation.

The annual report on compliance with the Government's regulatory requirements in 1998-99 takes the form of a separate report in the Productivity Commission's annual report series, *Regulation and its Review 1998-99* (see also box 3.4).

In monitoring regulatory reform developments around Australia and internationally this year, the ORR:

- convened a meeting with State and Territory officials to discuss regulatory best practice in Australian jurisdictions;
- in a range of relevant meetings with State and Territory officials, contributed to consideration of issues relating to mutual recognition, quasi-regulation and regulatory reform performance indicators;
- represented Australia at an OECD meeting on regulatory reform, covering reviews of reforms in the United States, Mexico, the Netherlands and Japan;
- represented Australia at several meetings with directorate officials from the European Union;
- met the Senior Adviser to the Prime Minister of Korea; and
- hosted for one week an official from South Africa who was in Australia to study regulatory reform principles.

Quality indicators

Reporting on quality indicators for the ORR is limited by the confidential nature of the advice it provides to Commonwealth departments and agencies, to the Assistant Treasurer and Minister for Financial Services and Regulation and to Cabinet. Its major activities in advising on RISs and legislative reviews typically involve interaction and iteration with sponsoring departments and agencies. An indirect indicator of the quality of the ORR's work in these activities, and in its educative and training activities, is the general improvement of agency compliance with the Government's regulatory review requirements. There is also mounting evidence that, as agencies have become better acquainted with RIS requirements, the quality of RISs presented to the ORR has improved.

Informal feedback from a number of agencies and the steady demand for training sessions also attest to the quality of the ORR's work.

A measure of quality assurance is also obtained through the ORR's continuing interaction with its counterparts in the States and Territories. This helps to ensure it keeps abreast of regulatory reform matters in Australia and best-practice approaches to regulation review.

A further indicator of the quality of the work of the ORR is that it is not unusual for other countries to seek its advice when they are assessing their own regulatory processes. Australia's reputation for being at the forefront of regulatory reform is also due to the ORR's participation in international forums such as OECD meetings.

Timeliness

The demand for RIS assessments is externally driven and timing is often determined by Cabinet processes. While the ORR was able to respond to less complex matters within a day when priorities permitted, three to five days was the norm. Additional time for assessment was required when the policy proposal raised complex regulatory issues and the RIS was of poor quality or the agency had not had prior consultations with the ORR.

The Government requires the ORR to advise the Minister for Financial Services and Regulation and the responsible portfolio Minister on draft terms of reference for legislation reviews. The suggested timing for consultation with the ORR on draft terms of reference is a minimum of three months before a review is expected to commence. Although consultations on two of the nine 1998-99 reviews occurred with lesser notice, the ORR responded promptly.

Difficulties in obtaining RIS compliance information from Commonwealth departments and agencies delayed the anticipated completion of *Regulation and its Review 1997-98* by around one month and the federal election delayed clearance and publication of the second edition of the *Guide to Regulation*.

Indicators of usefulness

The usefulness of the Commission's regulation review activities in ensuring better regulatory outcomes, generating greater understanding within agencies of the Government's 'best practice' regulatory requirements and enhancing community understanding of regulatory issues, is demonstrated by a range of indicators.

- The ORR's assessment of RIS analysis has been used by agencies in the Cabinet coordination process to elicit information about the costs and benefits of regulatory proposals. On occasions, this has resulted in proposals being deferred until they have been developed more fully.
- Some regulatory proposals have been changed in the light of information obtained, and the analysis undertaken, during the RIS process. In some cases, options suggested by the ORR for consideration have become the preferred option.
- The Senate Standing Committee on Regulations and Ordinances has found RISs to be a 'valuable source of information' and that they complement its work of parliamentary scrutiny (box B.4).

Box B.4 Regulation impact statements complement parliamentary scrutiny of legislation

The Commission met the Senate Standing Committee on Regulations and Ordinances in March 1999 to discuss activities reported in *Regulation and its Review 1997-98* and, in particular, the ORR's role in vetting Regulation Impact Statements (RIS).

In its report to the Senate on that meeting, the Committee noted that the 'establishment of RIS requirements has been one of the most significant recent developments in quality control of legislative instruments'. The Government endorsed the requirements for RIS, as published in the ORR's Guide to Regulation, in September 1997.

Since then the Committee has scrutinised the RIS, which are tabled, in addition to the Explanatory Statement, with all legislative instruments affecting business or competition.

The Committee has found the RIS to be of considerable assistance in its scrutiny of legislative instruments, despite the Committee having different priorities to the ORR. The Committee scrutinises delegated legislation to ensure compliance with high standards of personal rights and parliamentary propriety, whereas the ORR responsibilities are for the most effective and efficient regulations from an economy-wide perspective. These different objectives are by no means the same, but they are complementary and RIS have enhanced the ability of the Committee to carry out its functions.

The Committee has found RIS to be particularly useful because they are more detailed and thorough than Explanatory Statements in their background information. Also, RIS are structured in such a way that may reveal areas of especial concern to the Committee (SSCRO 1999, p. 6655).

The Committee also noted that:

The success of the Committee in its core function of scrutiny of legislative instruments is due to the fact that Ministers know that it operates in a non-partisan fashion and does not question policy. The Committee finds RIS to be a valuable source of information, but it is not appropriate for it to become involved in policy development. The ORR is a specialist agency with the mandate to oversee the entire RIS process and liaison with the ORR along the lines of our recent meeting with the [Productivity Commission] will enable the Committee to be aware of any relevant developments. Also, the Senate legislation committees would scrutinise RIS in the course of their work (SSCRO 1999, p. 6656).

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- Regulation Impact Statements tabled with Explanatory Statements to Bills have provided greater transparency of the reasoning behind regulatory decisions so that the Parliament and the community are better informed. Parliamentarians have drawn on the Statements in debate.
 - The ORR's assessment of national RISs is valued by Ministerial Councils and National Standards Setting Bodies. The COAG Committee of Regulatory Reform seeks the ORR's input on significant regulatory matters. The impartiality of the Commission is also a factor in the ORR's standing with the States and Territories on these matters.
 - Around 850 copies of *Regulation and its Review 1997-98* were distributed. The report attracted media attention, including an editorial in *The Australian*. The report was accessed more than 750 times on the Commission's website in the period to July 1999.
 - Around 2000 copies of the second edition of *A Guide to Regulation* were distributed for use by policy and regulatory officers in all Commonwealth Government departments, agencies, statutory authorities and boards and to other people interested in regulatory reform. Users of the Guide were invited to contact the ORR at any stage for more information or assistance in preparing a Regulation Impact Statement.

Competitive neutrality complaints activities

The Commonwealth Competitive Neutrality Complaints Office (CCNCO) is an autonomous office located within the Commission. As specified in the Productivity Commission Act and the *Commonwealth Competitive Neutrality Policy Statement* of June 1996, the role of the CCNCO is to:

- receive and investigate complaints on the application of competitive neutrality to Commonwealth government businesses, and make recommendations to the Treasurer on appropriate action; and
- provide advice and assistance to agencies implementing competitive neutrality, including undertaking research on implementation issues.

The CCNCO aims to finalise most investigations, and report to the Treasurer, within 90 days of accepting a complaint, and to undertake reporting and associated activities that are of a high standard and useful to government.

The Commission resources used in producing this output in 1998-99 are estimated to have been:

- 1.0 staff years; and
- \$0.16 million on a cash basis, or \$0.17 million on an accrual basis.

Activities in 1998-99

Complaints activity

The CCNCO received six written complaints during the year. Two complaints related to the same matter and were investigated and reported on together. The other complaints did not require formal investigation. Nevertheless, where appropriate, the CCNCO took action to ensure that relevant issues were drawn to the attention of the relevant Minister or agency (box B.5).

Report on Counter Terrorist First Response Services

In September 1998 the CCNCO received separate written complaints — from the Board of Airline Representatives of Australia and the Airports Association of Australia — about the provision of Counter Terrorist First Response Services (CTFR) by the Australian Protective Service. The complainants claimed that the Australian Protective Service should not apply competitive neutrality policy to its charges for CTFR services at airports. They contended that CTFR did not face sufficient competition to constitute a business activity under the competitive neutrality guidelines. The complainants also claimed that, since the Government mandated that the Australian Protective Service provide CTFR services, it should fund the increased costs which may result from Australian Protective Service provision compared with provision of the service by private operators.

The CCNCO investigated the complaints and considered whether competitive neutrality should apply to CTFR services and whether the appropriate level of charges had been applied. It recommended that:

- competitive neutrality charges continue to be applied to the Australian Protective Service's CTFR function;
- so long as the Australian Protective Service continues to achieve a commercial rate of return (pre-tax) on its CTFR activity, its charges are sufficient to meet capital costs and, accordingly, there was no need to add further charges to meet interest and corporate tax obligations; and
- when the Commonwealth Treasury next reviewed its publication, *Competitive Neutrality — Guidelines for Managers* and in its regular policy advice to agencies, it should seek to remove scope for misinterpretation about adjustments to agencies' prices for corporate tax and interest payments.

The CCNCO also commented that a statement of the Government's reasons for restricting the provision of CTFR to the Australian Protective Service or police forces would clarify whether or not all of the costs of CTFR services should be recovered from airport users.

Box B.5 **Competitive neutrality complaints not formally investigated**

In October 1998 the National Competition Council referred a complaint to the CCNCO from a Queensland company which delivers unaddressed mail. The complaint concerned Australia Post's exemption from State and Territory traffic regulations which prevent motor cycles from riding on the footpath. The company could not obtain a similar exemption.

- The CCNCO did not conduct an investigation on the complaint because it related to State traffic law over which the Commonwealth has no jurisdiction. However, the CCNCO wrote to the Treasurer suggesting that, given the Commonwealth's interest in postal reform, the Commonwealth may wish to provide information to the States on the benefits to postal competition of allowing other operators access to footpaths. The States could then balance these benefits against the costs of access when they review their legislation.

In February 1999 Ciptanet International lodged a written complaint alleging that universities it was competing against for AusAid funded projects were not complying with competitive neutrality principles in pricing their bids.

- The CCNCO did not conduct an investigation on the complaint because the head contractor appointed by AusAid to conduct the tender was not a Commonwealth Government business, and hence not within the jurisdiction of the CCNCO. However, the CCNCO wrote to AusAid informing it that Commonwealth bidders for Commonwealth contracts are required to certify that their bid complies with competitive neutrality, and that this requirement should also apply to tenders let by head contractors appointed by AusAid, as well as to tenders let directly by AusAid.

In May 1999 the owners of the Canberra airport lodged a written complaint about the pricing behaviour of Airservices Australia at Canberra airport. The airport owners alleged that the charges being levied on commercial users for Transport Navigation Services and Australian Rescue Fire Fighting Services were being set on an inappropriate basis, with the effect that commercial users were subsidising services provided to the defence forces.

- The CCNCO did not conduct a full investigation because the core issue in this complaint — the RAAF exemption from Transport Navigation Services and Australian Rescue Fire Fighting Services charges — was under review by Airservices Australia and the Department of Defence. In addition, Airservices Australia demonstrated that its charges to commercial users did not include the costs of services provided to Defence.

In June 1999 Dove Personnel, a job placement company, lodged a complaint about the operation of the Commonwealth Government's Job Network.

- The CCNCO ascertained that Dove's concerns related to aspects of the Job Network tendering process conducted by the Department of Employment, Workplace Relations and Small Business, rather than competitive neutrality issues. Accordingly, it advised Dove that there are no grounds to undertake a competitive neutrality investigation. Dove has indicated that, in conjunction with its industry association, it would make representations on the matter to the relevant Minister.

Advice on implementing competitive neutrality

A significant component of the CCNCO's output in 1998-99 comprised formal and informal advice to agencies on their competitive neutrality obligations and assistance to them in implementing competitive neutrality policy. In addition to telephone advice and ad hoc meetings — averaging three to four contacts a week — this output also included the CCNCO's participation on working groups to progress the implementation of competitive neutrality for Australian Hearing Services and the Commonwealth Rehabilitation Service. The CCNCO is also an active participant in the Competitive Neutrality Roundtable — a working group of competitive neutrality officials from the Commonwealth, States and Territories.

Research

In response to a need for detailed implementation advice, the CCNCO released research papers on cost allocation issues and rate of return issues during 1998-99. In addition, it circulated to interested parties a paper which compared the competitive neutrality arrangements of the different jurisdictions.

Quality indicators

The investigation of complaints relating to the provision of counter terrorist first response services was the first time the procedures developed by the CCNCO had been put into practice. The satisfaction of the complainants and the Australian Protective Service with the procedures is one indicator of quality in the way the CCNCO went about its investigation.

Quality assurance processes in place for this activity include the CCNCO's participation on working groups to progress the implementation of competitive neutrality, its participation in the Competitive Neutrality Roundtable and the feedback obtained from target audiences on its research publications.

The usefulness of the CCNCO's outputs across jurisdictions (reported below) is another indicator of quality.

Timeliness

The CCNCO received the two complaints about the provision of counter terrorist first response services by the Australian Protective Service in September 1998 and reported in December 1998 — thereby meeting its 90 day reporting target.

The research paper on cost allocation and pricing took three months longer than initially anticipated, principally because of the decision to provide time for a second round of comments from State government officials before publication. Completion of the research paper on rate of return issues was deferred on a number of occasions in order that higher priority competitive neutrality activities could be undertaken.

Indicators of usefulness

The CCNCO is unable to report on the outcome of its report on the Counter Terrorist First Response Services. The Minister for Financial Services and Regulation wrote to the Attorney-General requesting a response to the recommendations in the report. Although the Commonwealth Government has a commitment to respond within 90 days of receiving a CCNCO report, no response had been made as at 8 October 1999.

The CCNCO received considerable feedback indicating that the research papers it released have contributed to better policy making and public understanding.

In relation to the cost allocation and pricing paper:

- the National Competition Council endorsed the 'avoidable cost' methodology advocated in the paper and summarised the paper in its 1997-98 Annual Report;
- upon release of the paper, one State changed its competitive neutrality guidelines to allow the avoidable cost methodology to be used by agencies when determining a competitively neutral level of prices;
- the NSW Independent Pricing and Regulatory Tribunal circulated the paper to its local government working groups, and cited the paper in its publications;
- the Government Prices Oversight Commission in Tasmania endorsed the paper as the approach it would adopt for cost allocation;
- the CCNCO has been contacted by a number of local government officials around Australia who have said the paper was useful to them in implementing competitive neutrality and, more generally, in considering costing and pricing issues for their businesses. In some cases, the paper has been distributed to line managers as a reference document for understanding costing issues;
- a number of Commonwealth agencies have indicated that they found the paper useful in considering pricing issues for their businesses, as well as for implementing competitive neutrality; and
- in addition to the 500 printed copies circulated, the paper has been accessed more than 500 times at the Commission's website.

The rate of return paper:

- has been useful in assisting the CCNCO to deal with rate of return issues as they have arisen in complaints and in providing advice to agencies;
- has received positive comment from State and Territory government officials at meetings of the Competitive Neutrality Roundtable; and
- has been used by the State Governments of Tasmania, South Australia, and Western Australia to assist with rate of return issues outside the competitive neutrality area.

The paper comparing competitive neutrality regimes in each jurisdiction was circulated widely within government circles and a number of jurisdictions have commented that it has assisted them to develop aspects of their competitive neutrality regimes.

Supporting research and activities and annual reporting

While much of the Commission's research activity is externally determined, it has some discretion in meeting its legislative charter to undertake a supportive program of research, and to report annually about matters relating to industry development and productivity, including assistance and regulation.

The Commission aims to produce research and associated reports to a high standard which are timely, useful to government and raise community awareness of microeconomic reform issues.

The resources used in producing this output in 1998-99 are estimated to have been:

- 50 staff years; and
- \$6.1 million on a cash basis, or \$6.4 million on an accrual basis.

Activities in 1998-99

The output of the Commission's annual report and supporting research activity program this year included:

- research to meet the Commission's statutory annual reporting obligations, comprised:
 - its annual report for 1997-98, which focused on rationales for microeconomic reform, what is known about the benefits, and ways of approaching adjustment problems, and also outlined the roles and functions of the new Commission; and

- three companion publications on trade and assistance issues, regulatory developments, and microeconomic reform by Australian governments in the year;
- 11 research reports, comprising Commission research papers, staff research papers and staff working papers;
- four submissions to other review bodies;
- two volumes of proceedings from workshops/conferences conducted or co-sponsored by the Commission; and
- other projects associated with inquiry and research support, conference papers, assistance to other government departments, and journal articles.

The research publications produced in 1998-99 are listed in box B.6. Details of Commission research papers, staff papers and the 70 presentations given by the Chairman, Commissioners and staff in the year are provided in appendix D. Research projects under way at the end of the year are listed in box B.7.

Box B.6 Supporting research program and annual reporting: 1998-99 publications

Annual report suite of publications

Annual report 1997-98	Regulation and its review 1997-98
Trade and assistance review 1997-98	Microeconomic reform by Australian governments 1997-98

Conference proceedings

Microeconomic reform and productivity growth	Industry competitiveness, trade and the environment
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Submissions to other review bodies

Review of NSW Rural Assistance Act	Review of price controls on Telstra
Tasmanian dairy review	Victorian dairy review

Research reports

Aspects of structural change in Australia	Youth wages and employment
Design principles for small business programs and regulations	The new economy? A new look at Australia's productivity performance
Australia's restrictions on trade in financial services	APEC early voluntary sectoral liberalisation
Trade-related aspects of intellectual property rights	Network modelling approach to air service agreements
Minimum wages literature survey	Labour market research agenda
Feedback on waterfront benchmarking	

Quality indicators

The quality of the Commission's supporting research projects is monitored through a series of internal and external checks. Proposals for research are considered against current research objectives and themes; their capacity to contribute policy-relevant information; other research under way; whether the Commission is best placed to conduct the research; and available resources. Research is monitored internally as it progresses. Seminars are held to expose research as it develops.

Box B.7 Supporting research program: 1999-2000 projects

Productivity and the structure of employment #	Structural adjustment policy: workshop proceedings #
Submission to the National Competition Policy Review of Pharmacy Legislation #	Policy implications of the ageing of Australia's population: conference proceedings #
Privatisation, regulation and reform: 1998 Industry Economics Conference proceedings #	Modelling the regional impacts of National Competition Policy reforms
Private hospital industry	Structural adjustment: key policy issues
Single-desk marketing: the economic issues	Microeconomic reform and Australian productivity: exploring the links
Genetically modified products: analysis of issues in development and use	Unemployment and re-employment of displaced workers
Links between industrial relations practices and labour productivity growth	Productivity among Australian railroads
Links between government assistance and firm performance	The growth and decline of employment within firms
The role of training and innovation in workplace performance	Modelling multilateral liberalisation of services trade
Restructuring the delivery of Melbourne's health services	Enhancements to the Global Trade Analysis Project (GTAP) framework
Measuring barriers to trade in selected services	Incorporating foreign direct investment in the GTAP framework
Liberalisation of foreign investment regimes: progress and options for further reform	Regulation, competition and industry structure: 1999 Industry Economics Conference proceedings
Productivity in the Australian retail and wholesale sectors	Labour market inequality in Australia: trends, causes and consequences *
Innovation, productivity and profitability in Australian enterprises *	

Published after 30 June 1999. * Collaborative projects. Information on a range of research projects is provided in the Commission's *Digest of Current Research Projects July 1999*.

Where appropriate, draft research reports are refereed externally. Referees are chosen both for their expertise on a topic and to reflect a range of views. While referees provided a range of constructive criticism, they were generally complimentary about the overall standard of the Commission's work. The incorporation of responses to referees' comments enhanced the quality of the final research outputs.

Another form of quality assurance and measure of relevance is the Commission's practice of bringing leading policy analysts and researchers, including international experts, to workshops and conferences which the Commission either conducted or co-sponsored under its research program during the year (chapter 3).

Timeliness

Around two thirds of the research projects listed in box B.6 were completed on or very close to anticipated schedules. Government-commissioned projects take priority and the Commission allocates its resources accordingly. Decisions to divert staff temporarily to higher priority work, redefinition of project scope and delays in obtaining data and referee comments, were common reasons for extended completion times for research projects in the past year.

Indicators of usefulness

To help ensure the relevance of the Commission's program of supporting research, its selection of research themes and projects is guided by consultations with a range of government, industry and community interests. For example, the staff research paper on youth wages (Daly et al 1998) arose from specific requests by government departments and other organisations.

Continuing what is now an annual practice, the Commission invited a range of government departments and agencies, peak national employer bodies, unions, and community welfare and environmental groups to meet early in 1999 to discuss current and future research. Meetings are held with academics on an ongoing basis. Consultations with Commissioners and staff also contribute to the identification of broad research areas.

Evidence of the usefulness of the Commission's supporting research and annual reporting activities in contributing to policy making and to public awareness of microeconomic reform issues is demonstrated by a range of indicators.

For example, the Staff Working Paper of October 1998, *Youth Wages and Employment*, was:

- tabled as a contribution to the policy debate at the Commonwealth, State and Territory Labour Ministers Council meeting in November 1998;
- discussed at the Productivity Commission/Centre for Economic Policy Research Workshop held in November 1998 which was attended by 40 invited participants from government, universities, business, union and community groups;
- used by the Australian Industrial Relations Commission in its junior rates inquiry, where it found that ‘a discounted pay rate for entry level work continues to be necessary in the areas in which employment under junior rate classifications is most concentrated’ (AIRC 1999a);
- used in briefing material prepared by Parliamentary Library staff for Members and Senators on the Workplace Relations Legislation Amendment (Youth Employment) Bill 1998; and
- used in parliamentary proceedings, for example: by the Prime Minister and the Minister for Employment, Workplace Relations and Small Business in answer to questions, in a Ministerial Statement on the AIRC report, and by government and opposition members in debating the Workplace Relations Legislation Amendment (Youth Employment) Bill 1998 in the Commonwealth Parliament; by the Victorian Premier; and in debate on the Industrial and Employee Relations (Workplace Relations) Amendment Bill in the South Australian Parliament in May 1999.

The findings in the Staff Working Paper of May 1999, *The New Economy? A New Look at Australia’s Productivity Performance*, were:

- used in parliamentary proceedings, for example, by the Prime Minister, the Treasurer and Minister for Finance and Public Administration in answer to questions, Opposition members and the Chair of the House of Representatives Standing Committee on Economics, Finance and Public Administration;
- used in domestic and international commentary and as an input to OECD briefings on the performance of the Australian economy; and
- the subject of an Economic Society of Australia NSW Branch forum on Australia’s productivity performance and a feature article in the *Australian Financial Review*.

More generally, important means by which research projects contribute to public debate are through media coverage, the dissemination of reports to key interest groups and the ready accessibility of reports on the Commission’s website. Most of the 1998-99 publications received media coverage upon their release. The study on

youth wages, the annual report and the report on regulatory developments were the subject of editorials in major newspapers. In total, more than 12 700 printed copies of 1998-99 research publications were made available. To 30 June 1999, external clients had accessed the index pages of those reports on the Commission's website more than 9200 times.