



Australian Government
Productivity Commission

Annual Report
2012-13

Productivity Commission
Annual Report Series



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The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website (www.pc.gov.au) or by contacting Media and Publications on (03) 9653 2244 or email: maps@pc.gov.au



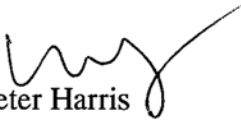
28 September 2013


The Treasurer
Parliament House
CANBERRA ACT 2600

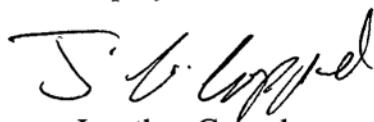
Dear Treasurer

We submit to you the Productivity Commission's annual report for 2012-13. The report is prepared in accordance with section 10 of the *Productivity Commission Act 1998*. The Commission's Act requires that a copy of this report be tabled within 15 sitting days of each House of Parliament after the day of receipt of the report.

Yours sincerely

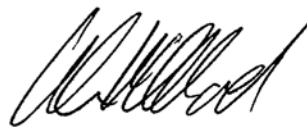

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Chair

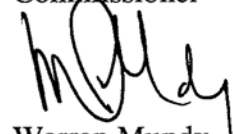

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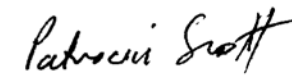

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Commissioner



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Commissioner


Angela MacRae
Commissioner


Alison McClelland
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Warren Mundy
Commissioner


Patricia Scott
Commissioner


Philip Weickhardt
Commissioner

Chairman and Commissioners



Peter Harris (Chairman)



Philip Weickhardt, Gary Banks (former Chairman) & Patricia Scott



Alison McClelland & Robert Fitzgerald*



Mike Woods (Deputy Chairman) & Wendy Craik



Angela MacRae, Warren Mundy & Jonathan Coppel

*:Currently on leave from the Commission

Absent: Siobhan McKenna

Acknowledgments

The Commission wishes to thank its staff for their continued efforts, commitment and support during the past year.

Foreword

This is my first Annual Report as Chair of the Productivity Commission. One of the more significant events for the Commission in the last twelve months was the retirement of Gary Banks, our inaugural Chair. Gary had a major influence on the wide acceptance today of the Commission's role as independent adviser on national reform. On behalf of Commissioners and staff, I wish him well.

On coming to the Commission, I have found a highly competent and committed group of people, who are justifiably proud of the Commission's contribution to national reform. Equally, transitions of this kind create an opportunity for a re-examination of what organisations do and how they do it, especially in times of significant budget restraint.

Accordingly, we are undertaking a number of internal reforms to ensure we can continue to provide high quality advice within a reducing resource base. There will be a need to take a more flexible approach and potentially to broaden our range of report products. Nevertheless, consultation and exposure draft processes so critical to the quality of our outputs will remain central to our work.

We are also improving our ability to communicate in a world where social media is increasingly important. We now use Twitter to inform a wider audience about the availability of our reports. We will also move increasingly toward online reporting as the primary focus and consequently will use this opportunity to improve the information and search functions so important to effective online delivery. Initial changes will be implemented in our Reports on Government Services.

Our research program will focus more closely on flagship pieces, which help to outline future directions for reform. Our first effort in this area will look at over-the-horizon policy options that may be consistent with demographic change.

We expect that the Commission's program of work is likely to expand as the momentum for productivity enhancing reform increases. With a slowing of national income growth as the terms of trade declines, productivity growth becomes, again, the paramount source of sustainable growth.

The Commission looks forward to contributing to a strong national reform agenda.

Peter Harris
Chair

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Abbreviations

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACCI	Australian Chamber of Commerce and Industry
AGCNCO	Australian Government Competitive Neutrality Complaints Office
AIHW	Australian Institute of Health and Welfare
ALGA	Australian Local Government Association
ANAO	Australian National Audit Office
ANU	Australian National University
ANZSIC	Australian and New Zealand Standard Industrial Classification
ANZSOG	Australia and New Zealand School of Government
APEC	Asia-Pacific Economic Cooperation
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
BRCWG	Business Regulation and Competition Working Group (COAG)
CEDA	Committee for Economic Development of Australia
COAG	Council of Australian Governments
CRC	COAG Reform Council
EFIC	Export Finance and Investment Corporation
EGWW	Electricity, gas, water & waste services
GS	Gas supply
GDP	Gross Domestic Product
GTAP	Global Trade Analysis Project
GTEs	Government trading enterprises
HILDA	Household, Income and Labour Dynamics
ICTs	Information and communication technologies
IMF	International Monetary Fund
LP	labour productivity
MBS	Medicare Benefits scheme

MFP	multifactor productivity
NAPLAN	National Assessment Program for Literacy and Numeracy
NATSEM	National Centre for Social and Economic Modelling
NBN	National Broadband Network
NCP	National Competition Policy
NRA	National Reform Agenda
OAIC	Office of the Australian Information Commissioner
OECD	Organisation for Economic Cooperation and Development
OHS	Occupation health and safety
OID	Overcoming Indigenous Disadvantage report
PBS	Pharmaceutical Benefits Scheme
PC	Productivity Commission
RBA	Reserve Bank of Australia
RCT	Randomised Control Trial
R&D	Research and development
ROGS	Report on Government Services
SES	Senior Executive Service
SLA	Statistical Local Areas
TCF	Textiles, clothing and footwear
WSSD	Water supply sewerage & drainage services