

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

13 – 14 February 2013

**Question: AET 36**

**Topic: Incoming Brief – Productivity Commission Chair**

**Hansard Page: page 130, 13 February 2013**

**Senator CAMERON asked:**

**Senator CAMERON:** Have you prepared an incoming brief for the new chairman?

**Mr Woods:** We are in the process of preparing briefs on what activities we are currently undertaking and what is likely to come up in the near future in terms of publication of reports. There will be discussions with the incoming chair when he arrives.

**Senator CAMERON:** Could you provide a copy of that brief to the committee.

**Mr Woods:** I will take that on notice.

**CHAIR:** Thank you, Mr Woods.

**Answer:**

The new chairman preferred to be briefed orally on the work program. A general corporate and governance briefing was prepared and is attached.

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## **Peter Harris**

This paper provides some further material to assist you in the period immediately following your commencement. Papers for the 14<sup>th</sup> of March Commission meeting will be available on Friday – we can deliver to our Melbourne home or you can have them on Tuesday, let us know your preference. Your EA initially will be Gwendoline Bennett (03 9653 2102).

### **Management and governance**

#### **Organisation structure**

The Commission's structure and senior staff are shown in Figure 1.

The Commission comprises its Chairman and between four and 11 other Commissioners, appointed by the Governor-General for periods of up to five years. Associate Commissioners can be appointed by the Assistant Treasurer for terms of up to five years or (more usually) for the duration of specific inquiries.

At March 2013, there were eleven members of the Commission, including the Chairman. Six Commissioners held part-time appointments. Included in these figures are two Commissioners on long-term leave without pay to undertake other roles (Siobhan McKenna, previously part-time, and Robert Fitzgerald, previously full-time). Further details on periods of appointment for current Commissioners and Associate Commissioners are in Attachment A.

The Productivity Commission Act 1998 requires that:

- at least one Commissioner must have extensive skills and experience in applying principles of ecologically sustainable development and environmental conservation – this requirement is currently met by the appointment of Dr Wendy Craik AM until 3 June 2014;
- at least one Commissioner must have extensive skills and experience in dealing with the social effects of economic adjustment and social welfare service delivery – this requirement is currently met by the appointment of Ms Alison McClelland until 7 December 2015; and

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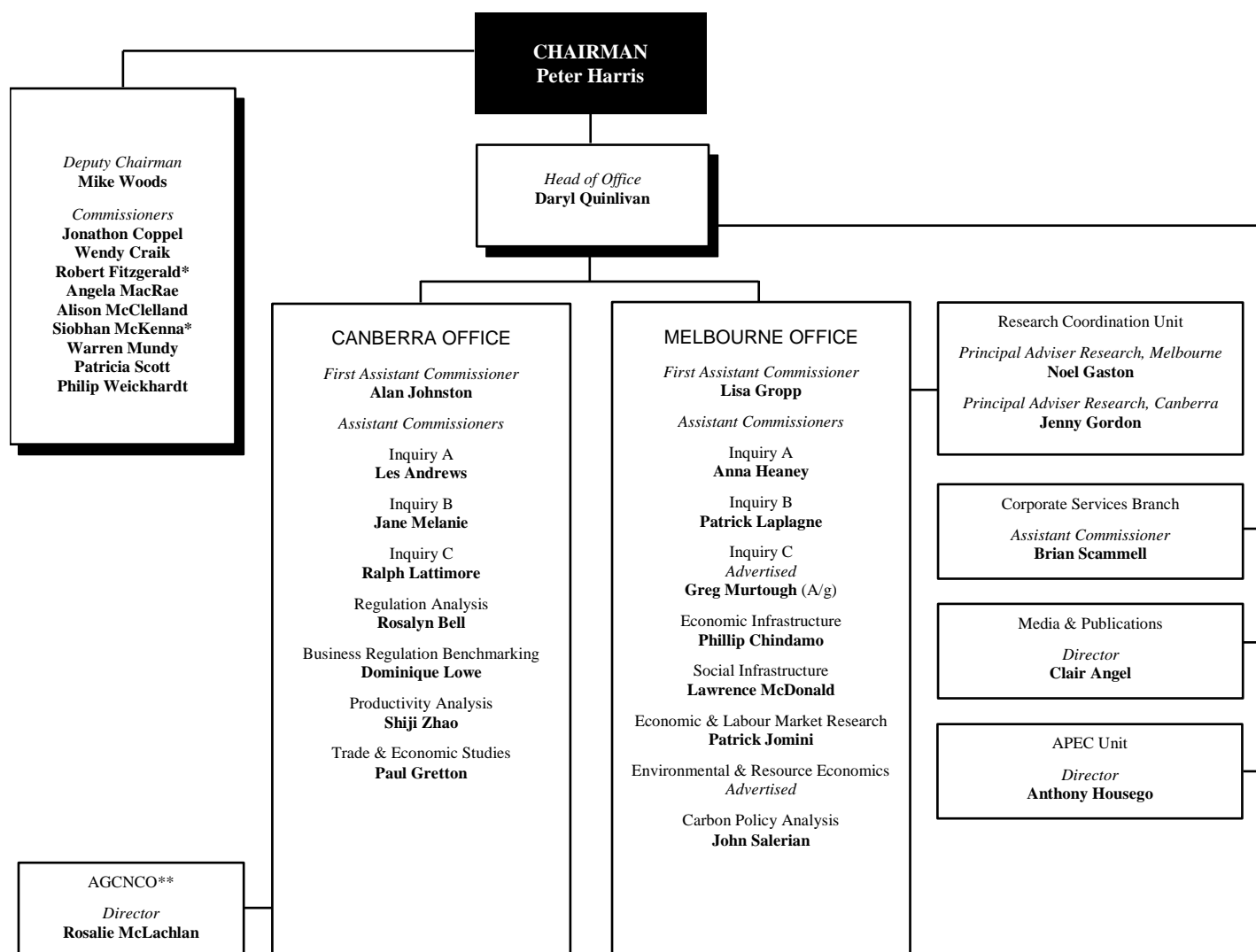
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- at least one Commissioner must have extensive skills and experience acquired in working in Australian industry – this requirement is currently met by the appointment of Mr Philip Weickhardt until 11 December 2013.

Figure 1 Productivity Commission structure and senior staff



\* Currently on long-term leave without pay

\*\*Australian Government Competitive Neutrality Complaints Office

## Budget and financial position

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

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The Commission's receives funding from a single annual appropriation. Funding from appropriations in 2012-13 is \$37.6m. This includes \$0.3m in capital funding, and takes account of savings applied in the MYEFO context. In addition, the Commission will receive a small amount of other revenue (est. \$1m), mainly for cost recovery from sub-letting part of Level 2 in Canberra; from AusAid for an APEC related initiative; and from TEQSA for ICT and payroll support in Melbourne.

The Commission's budget is primarily used on employee related expenses. In 2011-12, total expenses comprised 79% employee related (e.g. salaries and superannuation), 9% property related (e.g. rent and other outgoings), and 12% other administrative costs (e.g. travel, printing, telecommunications etc).

Leaving aside capital funding, the forward estimates for the Commission are:

2013-14	2014-15	2015-16	2016-17
\$38.0m	\$38.0m	\$33.7m	\$33.9m

These estimates are subject to further adjustment (e.g. for changes in wage cost indices, or further savings measures).

The reduction in 2015-16 is mainly due to the expiry of funding provided to the Commission in respect of reviews associated with the carbon pricing mechanism.

In 2012-13, the Commission was budgeting for a 'break-even' result. A recently completed mid-year review of the budget forecasts a small operating surplus this financial year, which is prudent given the impending reduction in appropriations in the forward estimates.

The Commission's assets are primarily the fitout in each of its offices and computer equipment. (The Canberra office lease is to 30 April 2017, with a 5 year option; the Melbourne office lease is to 31 May 2021, with a 5 year option).

The Commission's liabilities are primarily accumulated unused leave.

An end of February Financial Summary is at Attachment B for information.

#### Human resources

The work of the Commission is assisted by employees who are employed under the Public Service Act 1999. The average staffing level during 2011-12 was 197 compared to 193 in 2010-11. The current average staffing level for this financial year to date is approximately 200. Staff turnover in 2011-12 was approximately nine per cent, and is continuing at around that rate in 2012-13 to date. Around 40% of staff are in Canberra

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and 60% in Melbourne. This difference is largely because the Secretariat for the Steering Committee for the Review of Government Service Provision (and associated work) is located in Melbourne, as is most of the Corporate Services Branch.

The Commission has an 'SES cap' of 21. The Head of Office is an SES Band 3. In each office there is a First Assistant Commissioner and a Principal Adviser Research, who are each SES Band 2. The remaining SES (16) are Band 1. There is a selection process underway to fill two vacant SES Band 1 positions in Melbourne. In addition, the Commission has a SES Band 1 on long-term leave, which will need to be managed within the SES cap upon his return.

The Commission's non-SES staff are comprised approximately 27% EL2, 28% EL1, 31% APS5-6 and 14% APS2-4. Most staff have both graduate and post-graduate qualifications. Around 60% of awards are for qualifications primarily in the economics field of study.

Recent HR related activities have included:

- the development of a mentoring program for EL1 staff, which will commence in 2013
- assembly of information for a draft workforce plan (the Commission has been actively monitoring the age profile of its workforce in recent years)
- a review of the Commission's plan regarding gender balance (58% of employees are female – 30% of SES and 37% of EL2 are female)
- graduate recruitment – the Commission tries to attract around six new employees through its graduate recruitment program each year
- an on-going program of internal seminars on a range of topical economic, social and environmental issues, in addition to individual development opportunities and a series of 'staff development days' every 18-24 months
- managing other personnel related issues, two of which we will need to brief you on separately

### **Collective agreement, section 24 determinations and Remuneration Tribunal Determinations**

The terms and conditions of non SES staff of the Commission are established through a collective agreement. The nominal expiry date of the current agreement is 30 June 2014. The agreement provided a 4% across-the-board salary increase on commencement, and 2.5% in each of the two subsequent years. Staff who are not at the top of the salary range for their employment level are also eligible for a 2.5% annual increment. Both the across-the-board increase and increment adjustment are subject to performance having been assessed as satisfactory. The CPSU is a party to the agreement (but union membership amongst Commission employees is understood to be low).

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The terms and conditions of SES staff of the Commission are established through individual Determinations made by the Chairman of the Commission under Section 24 of the Public Service Act 1999. Section 24 Determinations have recently been re-issued to ‘roll-in’ previous bonus arrangements, which have been discontinued. These determinations do not have a nominal expiry date, but allow for the Chairman to vary salaries annually (usually with effect from 1 July).

Terms and Conditions for Commissioners are generally set by the Remuneration Tribunal. The Tribunal has recently moved Commissioners from its ‘Principal Executive Offices’ structure to its ‘Full-time Offices’ structure, mainly to simplify administration.

#### **FMA Act obligations and delegation arrangements**

The Productivity Commission is a prescribed agency under the *Financial Management and Accountability (FMA) Act 1997*. The Chairman of the Commission has the powers of a ‘Chief Executive’ of the agency under the FMA Act, and the powers of an ‘Agency Head’ under the Public Service Act 1999. Staff of the Commission have been delegated powers by the Chair to enable them to make decisions under various provisions of these Acts (e.g. the HoO can make virtually all the decisions that the Chair can make). No delegations have been made to Commissioners. A copy of the current financial and personnel delegations are on the Commission’s intranet.

A set of Chief Executive Instructions under the FMA Act are in place. They are currently being reviewed against a recently finalised ‘model set’ issued by the Department of Finance and Deregulation. The reviewed set of Chief Executive Instructions will need your approval in due course, and that may be an opportune time to also re-issue delegations under your name.

Section 32 of the Productivity Commission Act 1998 states that the Deputy Chair is to act as Chair during any period of absence by the Chair.

#### **Legislation/Charter**

The Commission is established under the *Productivity Commission Act 1998* (‘the Act’). The Act sets out the main functions and powers of the Commission. It also details appointments processes, governance requirements and a range of other matters.

The Commission’s inquiry, research, advisory and associated activities derive from its statutory functions. These can be classified into four main activity areas:

- government-commissioned projects
- performance reporting and other services to government bodies

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- competitive neutrality complaints activities
- supporting research and activities and statutory annual reporting.

In undertaking these functions, the Government's outcome objective, which it uses to assess the Commission's performance, 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.

#### **Further points on management arrangements, Committees, key staff and roles**

The Commission's Chairman is responsible for the overall management and governance of the Commission. He/she is assisted in these tasks by the Head of Office and by several key committees and staff.

##### *Committees*

*Management Committee* addresses matters of strategic direction, organisational development, policies and practices, monitoring of performance and resource allocation. Management Committee comprises the Chairman (as chair), Deputy Chairman, the Head of Office, the Melbourne and Canberra First Assistant Commissioners and the Assistant Commissioner, Corporate Services. It meets monthly, or more frequently as necessary.

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

The governance and value of our research program needs to be reviewed and will be an important issue to consider during your early months with the Commission.

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

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

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- presiding Commissioners on government-commissioned projects report monthly on significant issues and progress against key milestones
- the Research Committee reports on a quarterly basis on the status and future directions of the research program
- the activities of the Steering Committee for the Review of Government Service Provision, chaired by the Chairman of the Commission, are reported on a quarterly basis
- a Commissioner designated with responsibility for competitive neutrality issues reports to the Commission on a quarterly basis
- the Head of Office provides Commissioners with a monthly update on key management issues.

As discussed further below, Commission meetings have usually taken place on the second Thursday of each month, and follow the Management Committee meetings which generally take place the day before.

The *Audit Committee* is a further source of accountability through its periodic review of particular aspects of the Commission's operations. Its membership comprises a chairperson (currently Commissioner Weickhardt), two senior members of staff and an external member. The Commission's contracted internal auditors (currently BDO) generally attend meetings, as does a representative of the Australian National Audit Office on an 'as required' basis. The Audit Committee meets at least four times a year. The Commission has a Risk Management plan, a Business Continuity Plan, and a Fraud Control plan which have been reviewed as part of the audit committee charter. There have been no major deficiencies in the control environment identified in recent audit reviews. However, the Commission has put in place processes to ensure compliance with FMA Regulation 9 following findings in last year's financial statements audit.

The key employee consultative mechanism is the Productivity Commission Consultative Committee (PCCC). The PCCC comprises five elected employee representatives, a CPSU representative, and four management representatives. The Committee is Chaired by the Head of Office and generally meets four times a year. There are currently no live industrial issues.

The Commission also has a Work Health and Safety Committee, comprising employee representatives and chaired by the Assistant Commissioner Corporate Services. Minutes from those meetings are also reported to the Management Committee.

*Corporate - general*



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The Commission has a suite of HR, Finance and ICT policies and procedures typical of a small Commonwealth government agency, which are made available to all staff through the intranet.

The Commission's ICT is principally an in-house arrangement, with selective use of external support where required. We have been liaising with your Office about IT needs and Guy Beaven (our head of IT) will be available to discuss your needs in more detail.

The Commission's corporate area provides ICT infrastructure and support, and payroll system and services, to another small co-located Commonwealth agency in Melbourne, the Tertiary Education Quality and Standards Agency (TEQSA), who have approximately 100 employees.

#### *Some key staff*

#### **Head of Office (HoO)**

The Head of Office (Daryl Quinlivan) assumes over-arching responsibility for the effective overall management of the professional and administrative work of the Commission, across its two locations.

#### **First Assistant Commissioners**

The two locations are each managed by an SES B2 First Assistant Commissioner (Lisa Gropp in Melbourne and Alan Johnston in Canberra) and are responsible for the day to day management of the commissioned research and inquiry programs in their jurisdiction, and for staff matters.

#### **Principal Advisors Research**

Each office also has an SES B2 Principal Advisor Research (Jenny Gordon in Canberra and Noel Gaston in Melbourne) responsible for the supporting research programs. The FAC Melbourne, Lisa Group, oversees the overall research function.

#### **Assistant Commissioner Social Infrastructure**

The Assistant Commissioner Social Infrastructure (Lawrence McDonald) is located in Melbourne and is responsible for the suite of work associated with the inter-jurisdictional Steering Committee for the Review of Government Service Provision i.e. the Report on Government Services; the report on Overcoming Indigenous Disadvantage; the Indigenous Expenditure Report; and national performance reporting.

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#### **Assistant Commissioner Corporate**

The Assistant Commissioner Corporate (Brian Scammell) is located in Melbourne and responsible for corporate services (including ICT, HR, Finance, Office Services & Records, Web, Library & Information Services). The scale of corporate services reflects the size and nature of the Commission as a small government agency (e.g. there is no in-house legal service). Key people in the corporate area are:

- Guy Beaven, Director ICT
- Kaye Kieni, Director Finance
- Kath Micallef, Director HR
- Ann St John, Manager Web, library & information services

#### **Director, Media & Publications**

The Director, Media & Publications (Clair Angel) is located in Canberra and is responsible for the communications strategies and media liaison. She is assisted by two staff, mainly on publications issues, who are located in Melbourne (one about to commence maternity leave). Publication procedures are at Attachment D.

#### **Director APEC unit**

The Director APEC unit (Anthony Housego) is located in Canberra and is responsible for the AusAid sponsored ‘twinning program’ with APEC member countries, but also is a major liaison point with Treasury on the Commission’s work program and associated issues, as well as preparing the Commission’s annual report.

#### **List of Issues**

#### **Schedules for Management Committee and Commission Meetings**

*Management Committee Meetings* (MCM) address matters of strategic direction, organisational development, policies and practices, monitoring of performance and resource allocation. They are attended by the Chairman (as chair), Deputy Chairman, the Head of Office, the Melbourne and Canberra First Assistant Commissioners and the Assistant Commissioner, Corporate Services.

Monthly *Commission meetings* — attended by Commissioners and senior staff — are used to discuss and monitor progress across the Commission’s mandated outputs. There

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are four significant milestones for each mandated inquiry/study, at which the relevant Branch Head and team have been attending – after initial receipt of the Terms of Reference; at the Early Bottom Lines stage; and discussions pre-Draft and pre-Final report.

Under past arrangements, Commission meetings usually took place on the second Thursday of each month, following the Management Committee meetings which generally took place the day before. These monthly meetings alternated in location between Melbourne and Canberra.

Given you will be based in Melbourne and corporate staff are also located there, the most efficient and convenient option would be to hold all MCMs in Melbourne, with Commission Meetings either continuing to alternate across both offices or held entirely in Melbourne as well. From the Commissioners point of view long notice and minimal diary changes are the highest priority, location is not important. However, Melbourne-only Commission Meetings would have implications for Canberra staff which we would need to consider.

#### **Briefing discussions in the first fortnight**

There are several discussions with internal staff that would be useful immediately following your arrival. These include:

- a briefing on the Report on Government Services and Indigenous Reporting with Lisa Gropp (FAC, Melbourne) and Lawrence McDonald (Head of the Social Infrastructure section in Melbourne). These are important ongoing COAG-related tasks;
- discussion on the Commission's productivity research with Shiji Zhao (Head of Productivity Analysis Branch, Canberra) and Dean Parham (Visiting Researcher, Canberra); and
- meetings across both offices with Commissioners and Assistant Commissioners on current inquiries and studies. You will benefit from updates at the Commission Meeting on 14 March.

#### **Current inquiries**

Two current inquiries (on the Compulsory Licensing of Patents and Electricity Network Regulation) are due to be completed on 29 March and 9 April respectively.

At the Commission Meeting on 14 March, the Final Report Overview for the Patents inquiry will be discussed (together with progress reports on other studies and inquiries). This will provide you with an opportunity to gauge progress across these projects.

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On the 7th of March, an Out-of-Session Commission Meeting was held to discuss the Final Report Overview for the Electricity Network Regulation inquiry. A copy of this Overview is attached for your information.

#### **Possible Commissioner/SES retreat**

Further to discussions about a possible retreat in June or July, the Aitken Hill facility is available on 12 – 14 June and 10 – 12 July. Once you decide on which set of dates is more suitable this can be diarised and further consideration can be given to external presenters.

#### **People to contact in the first month**

In addition to Commissioners and SES, there are also several discussions with external parties that would be useful immediately following your arrival. It would also be desirable to speak to Departmental Heads given the current work program. We should discuss other important contacts when convenient.

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**ATTACHMENT A**

**COMMISSIONERS AND PART-TIME ASSOCIATE COMMISSIONERS**

**Chairman and Commissioners**

	<i>Current period of appointment</i>	
	<i>From</i>	<i>To</i>
Jonathan Coppel (M)	28 July 2011	27 July 2016
Wendy Craik (C) (p/t) 0.5	4 June 2009	3 June 2014
<i>Robert Fitzgerald AM (C)*</i>	<i>27 January 2009</i>	<i>26 January 2014</i>
Angela MacRae (M) (p/t) 0.5	8 December 2010	7 December 2015
Alison McClelland (M) (p/t) 0.5	8 December 2010	7 December 2015
<i>Siobahn McKenna (M) (p/t) *</i>	<i>4 June 2009</i>	<i>3 June 2014</i>
Warren Mundy (C) (p/t) 0.8	8 December 2010	7 December 2015
Patricia Scott (C)	7 December 2009	6 September 2014
Philip Weickhardt (M) (p/t) 0.5	12 December 2008	11 December 2013
Mike Woods (Deputy Chairman)(C)	17 April 2011	16 April 2016

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

\* *currently on long-term leave without pay*