

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Budget Estimates 2014
3 June to 5 June 2014

Department/ Agency: Productivity Commission

Question: BET 760-763

Topic: Commission of Audit

Reference: 12/06/2014

Senator: Bushby

Question:

760. What is the PC's overall reaction to the National Commission of Audit (NCoA) Report and what found about the case for fiscal repair?
761. Do you have any views on issues in the report that are relevant to productivity?
762. If government programmes are not better targeted and public resources used more efficiently, how could further fiscal deterioration impact on financial markets, interest rates, businesses and consumers?
763. How will economic efficiency or social outcomes likely be affected by the Government's B2014-15 Budget initiatives that would enhance productivity, including the areas of:
- Government bodies – their rationalisation of the number of bodies and developing new guidelines for establishing new bodies?
 - Industry assistance – including the wind back of different subsidies and grants?
 - Health – eg. Co-payments and better price signals in the health industry?
 - Education – reforms to the higher education market and HECS/HELP in particular?

Answer:

760. The Commission has, in many of its reports, emphasised the need for significant and ongoing further reforms that are productivity-improving. Microeconomic reform will be of increasing importance as factors such as the ageing of the population have significant flow on effects on fiscal expenditures.
761. Productivity improvement is the main long term driver of growth in incomes and living standards. Productivity-enhancing reform is critical for ensuring the economy has the flexibility and capability to meet current and future economic challenges, including the end of the resources investment boom, and population ageing. Where the NCoA has commented specifically on Commission reports dealing with productivity we would refer you to those reports for further detail.
762. Without further productivity-enhancing microeconomic reform, economic growth and per capita incomes will be lower in future years. This will have significant flow-on effects in a range of markets, and lower living standards to levels below what they would otherwise have been.
763. Governments can play a critical role in improving productivity by promoting an efficient incentive framework for businesses, through fostering open and competitive markets and an efficient tax system, and reducing excess regulatory burdens. They also have a role in enabling enterprises to embrace opportunities and respond to challenges, including by facilitating a skilled and flexible labour force and efficient economic infrastructure. Governments can also directly improve productivity through more efficient delivery of the wide range of services they provide to the community. Again,

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the Commission would refer you to specific reports it has produced in these areas for further detail.