

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 20-21 February 2008

Question: aet 57

Topic: Productivity Commission – Recommendations

Hansard Page: E141 – E142

Senator MURRAY asked:

Senator MURRAY -I want to put a question to the minister because it is a policy matter. If I can draw an analogy between the competition council (the NCC) and competition policy, the NCC used to do reviews and study particular issues and then have the power and ability to follow through on their findings, because that is the way in which the system is structured. I want to ask that it seems to me that the Productivity Commission has great and long-term expertise in a number of areas. The issue of deregulation is one which they have been studying for a deal of time, but they have no ability, as far as I am aware and you can correct me and Mr Banks can amplify, to follow through, so they end up as informed commentators without any bite. Unless the departments, agencies or ministers responsible carry it through, you have got a problem. Is there any scope for making the Productivity Commission more effective in carrying through its review recommendations?

Senator Sherry—Firstly, I would accept that the Productivity Commission has very good expertise. Secondly, this is not my ministerial responsibility. If it were, I could be engaged in a greater level of conversation, and I do not want to speculate and cut across another minister's responsibility, so I will have to take that on notice. The extent of follow through, the witnesses may want to comment on what occurs at the moment. I understand from time to time there is a reflection on a report issued by government at a later date. They might want to comment on that.

Mr Banks—I think what you touched on is an important issue in terms of governance and design of policy, advisory and monitoring bodies. The NCC, the National Competition Council, you may recall got into a bit of trouble when it was doing reviews of various policy and then subsequently it was making judgements about whether jurisdictions met the requirements that had been agreed to under the national competition policy and it was seen as playing both sides of the street. I think the way the commission is structured currently—to provide independent advice to the best of its ability and then to step back and let the government look at that advice and implement it appropriately—I think gets the division of responsibilities right, in my view, because it does not look like we have then got a vested interest in making the kind of recommendations that then suit us and then we assist with those. I think there is a clouding of responsibilities that occurs in that respect. Where the commission has had a role in that respect has been previously through the Office of Regulation Review and the Office of Best Practice Regulation where, quite often, they would be looking at regulations that follow the commission inquiry, whether it was into telecommunications or broadcasting or some other area, it was turned into regulation and that body's job was to determine whether good process had been followed. It still was not able to pronounce whether or not the government had made the right policy decision but rather whether or not they had followed good process in implementing the regulation.

Senator MURRAY—Without going into all the detail, have you commissioned either an external review of yourselves or an internal review of yourselves with an eye to making you far more effective? I do not cast an aspersion on the work you do and the findings you make and the expertise you have, even where I might be critical of some aspects. I do not cast aspersions. But what I feel is that you lack bite in getting your recommendations implemented and followed through, and the only way to change that is for alternative ways of operation to be presented to government. You might not agree with that

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proposition, of course. But the question is: have you done any review of your function to see whether you could be doing a better job?

Mr Banks—As you know, everything we do is subject to public scrutiny and our end report looks at our effectiveness against a number of indicators, including the influence we have on policy outcomes. Typically, the large majority of our recommendations are implemented. They are not always implemented immediately. Sometimes they are not even implemented by the government of the day but, over time, when you track our reports and the recommendations and what has happened, a large majority have been implemented. In part the delay can be because part of our role is really to inform the public debate as much as the black letter recommendation that goes to government. It is when that public debate and understanding matures that, quite often, government can do things that might have been excessively brave in earlier times. The role, in terms of influence, is therefore in some respects a subtle one. But we do monitor it. Others monitor it as well and write the articles and reports about that. But if you wish I can draw your attention or send you information on those issues in our report.

Senator MURRAY—I have had a look. I just sensed the frustration out there that the Productivity Commission has become somewhat of a research and review body rather than an agent for change. I suspect that is unfair, but I noticed that sort of discussion, which may mean that it is time for another regeneration of your role. That is all I want to say.

Senator Sherry—The only organisation I can think of that would possibly come close to that is the ANAO. I do not know whether it has carried out, or has the capacity to carry out—I am not sure of your status vis a vis the ANAO—but I suspect you are looking for a broader net than the ANAO would have?

Senator MURRAY—I really want to know if there was an internal mechanism for regeneration through some recommendations you have made to the government. I do not want to know the detail because that is not my job.

Answer:

The Productivity Commission's enabling legislation defines its role as an inquiry and research body that is essentially advisory in nature. The Commission has not made any recommendations to government about changing the role prescribed by the legislation.

In terms of review, the Commission monitors on an ongoing basis, and reports annually on, indicators of effectiveness, including the impact of its inquiry reports on policy making and the use of its inquiry and research reports in parliamentary debate. The Commission's work program often covers contentious and complex structural policy issues, where the Commission's impact can only be viewed over the medium to longer term. Some examples of this longer-term influence are provided in the 2006-07 Annual Report (p97).

The Commission's advice to government, and the information on which it is based, is all open to public scrutiny. The Commission has a rolling program of surveys and other initiatives to gather external feedback on a range of its activities. The surveys complement feedback received through comments and submissions on draft reports, position papers, workshop papers and the views expressed during public hearings and consultations on its research programs.