

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 280

Topic: Infrastructure and productivity

Hansard Page: Written

Senator Eggleston asked:

- a) Is the Productivity Commission doing any work on the link infrastructure investment and productivity growth? If so, what is the status of this work?
- b) What does the more general work of the Commission shown about our recent reductions in productivity growth? What are the main drivers of these changes? .
- c) So in terms of the electricity, gas and water supply why are we experiencing lower productivity growth? What can we do to improve productivity performance in this sector?
- d) My understanding is that the productivity in the mining sector has also been below that of other sectors recently. What are the broad reasons for that?
- e) If we encouraged more marginal mining investments to occur than occur concurrently, what would that in general do productivity in the mining sector?

Answer:

- a) The Productivity Commission published in September 2008 its Submission to Infrastructure Australia's National Infrastructure Audit, which touches on what is necessary for the selection and operation of infrastructure investments that could contribute to productivity and economic growth, and to social and environmental objectives. Infrastructure investments, considered as a class, can not be said to be good or bad for productivity. Infrastructure investments affect productivity through the economic utility or otherwise of the particular infrastructure investments that are undertaken, the arrangements governing access to them, and their pricing.

The Productivity Commission is an industry partner in a 5 year University of New South Wales ARC Linkage Project (No. LP0884095) "Tackling the tough problems in productivity measurement". One aspect of that research relates to the impact of public infrastructure on private sector productivity. Background research has been progressing to plan but there no concrete outcomes available for report at this time.

- b) The Productivity Commission's analysis of recent reductions in productivity growth is presented succinctly in "Australia's Productivity Performance", its submission to the House of Representatives Economics Committee inquiry into raising the level of productivity growth in the Australian economy. The Submission is at http://www.pc.gov.au/data/assets/pdf_file/0005/91382/productivity-growth.pdf

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- c) Some aspects of this question are discussed in general terms and on the basis of initial research in the Commission's submission to the HoR Economics Committee inquiry referred to above.

The Productivity Commission is commencing more detailed study into productivity growth in the electricity, gas and water industries. The results of this study are expected to be published in mid 2011.

- d) Resource depletion and a surge of investment to take advantage of profitable opportunities arising from high commodity prices. The Productivity Commission's Staff Working Paper, "Productivity in the Mining Industry: Measurement and Interpretation" and the Commission's submission to the HoR Economics committee (referred to above) provide details of the Commission's findings on productivity in the mining sector.
- e) The Commission has not studied this question.