



Australian Government
The Treasury



Ministerial Submission

MS23-001751

FOR ACTION - Renewal of the Productivity Commission

TO: Treasurer - The Hon Jim Chalmers MP

TIMING

By the end of September, to enable you to issue a Statement of Expectations to the incoming Chair of the Productivity Commission, early in their term.

Recommendation

- That you note the findings of Treasury’s targeted consultations on ways to renew the Productivity Commission.

Noted / To discuss

- That you agree to the recommendations for renewal of the Productivity Commission detailed in **Attachment A**.

advice and relevant recommendations have informed the statement of expectations, which has been agreed by the incoming PC Chair **Agreed / Not agreed**

- That you agree Treasury will draft a Statement of Expectations, incorporating the relevant recommendations, for you to agree with the incoming Chair, early in their term.

advice and relevant recommendations have informed the statement of expectations, which has been agreed by the incoming PC Chair **Agreed / Not agreed**

- That you agree that Treasury will progress the remainder of the recommendations.

relevant recommendations to be progressed consistent with the Statement of Expectations Agreed / Not agreed

Signature 	Date: 9-11-2023 / /2023
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KEY POINTS

- You asked us to provide advice on ways to renew the Productivity Commission (PC), to ensure it is best placed to contribute to public policy development.
- We have developed a policy paper (**Attachment A**) with 14 recommendations, based on stakeholder consultations and desktop research. These recommendations would not require any immediate legislative change.
- Overall, the PC is a valued institution which is widely respected for the rigour of its inquiries. There is widespread support for it continuing to play this role and applying an economic lens to a wide range of public policy issues.
- However, the demands on the PC are changing and we identified a range of options to renew it. In particular, priority areas for change include:
 - Increasing the variety of data and economic frameworks that the PC uses, and diversifying the skills of its staff,
 - Enhancing its communication methods and stakeholder engagement, and
 - Improving its consideration of implementation issues.

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Implementation

- If agreed, most of these recommendations could be implemented through a Ministerial Statement of Expectations.
 - Finalisation of a statement should ideally occur soon after the commencement of the incoming Chair's term.
 - A Statement would enable you to provide greater clarity about your objectives and expectations for the PC. It could outline several areas where the PC should aim to improve its work and how the PC conducts its business.
 - There is not currently a Statement for the PC, but Statements exist for 12 Treasury portfolio entities.

- The Statement should be developed in consultation with the PC, respectful of its independence.

s 22

- If you agree, we would propose to draft a Statement based on this paper and any further feedback from you and your office, for early discussion with the incoming Chair.

s 22

Consultation

- As part of this process, we conducted targeted stakeholder consultations to gather views on the function, scope and influence of the PC. This included Commonwealth, State and Territory government officials and representatives from think tanks, industry groups and unions. A stakeholder list is included in the paper. An open public consultation was not conducted.
- We have also engaged closely with the current PC Chair, Michael Brennan, who is supportive of the findings and recommendations in the paper.
- Given that the PC's work relates to several portfolios, you may wish to notify Ministers before implementing the recommendations.

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CONSULTATION

As above.

ATTACHMENTS

A: Renewal of the Productivity Commission

Renewal of the Productivity Commission

1. Executive summary

- 1.1 This paper presents 14 recommendations for renewal of the Productivity Commission (PC), which would not require any immediate legislative change.
- 1.2 The PC is a valued and independent institution which is widely respected for the rigour of its inquiries. It has a demonstrated capability to produce robust and verifiable evidence to inform public policy. There is widespread support for the PC continuing to play this role and applying an economic lens to a wide range of public policy issues.
- 1.3 To be more effective in this role, the PC should continue to update its economic frameworks, refresh its approach to engagement and implementation, and improve its access to diverse skills and expertise.

Findings

- 1.4 The PC's current mandate remains appropriate and supports its key value proposition to bring impartial and rigorous economic analysis to public policy issues across a wide range of topics.
- 1.5 The PC faces a challenge in continuing to adapt to changing demands. The diversity of matters it is tasked with examining has expanded significantly, away from its historic role of advising on industry policy. For example, the PC is increasingly being asked to inquire into sectors such as health, education, and disability. It needs to ensure it is equipped with the right frameworks, capabilities, and skills to continue to deliver influential and effective economic policy insights that are relevant to these areas. The PC should continue to update its economic frameworks and recruit more diverse skillsets from a range of sources.
- 1.6 The PC should also continue to improve its approach to communication to enhance its influence. Initial steps should include making its reporting style more accessible to a general audience, and more actively engaging with the media and public to disseminate its findings. In addition, the PC should review its stakeholder engagement processes to ensure it is leveraging stakeholder expertise appropriately.
- 1.7 The PC should do more to consider the practical implementation issues associated with its recommendations. It should consult more comprehensively with relevant agencies at Commonwealth and State levels, before making recommendations those agencies will be tasked with implementing.
- 1.8 Lastly, the PC should consider how it can take a more agile approach to deploying its leadership capabilities and drawing on outside expertise. ^{s 22}
- 1.9 The findings and recommendations in this paper are consistent with broader APS Reform priorities. In particular, the renewal options will help ensure that the PC has the capability do its job well, embodies integrity and puts people and businesses at the centre of its work.
- 1.10 Broader questions around the PC's governance and culture, along with the PC's role in Closing the Gap, are outside the scope of this paper.

Next Steps

- 1.11 A **Statement of Expectations** could be developed and agreed with the PC on commencement of the new Chair, covering many of the recommendations made in this paper.

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2. List of recommendations

Recommendation	Implementation avenue
1. The PC's legislated mandate remains appropriate and should be retained.	Statement of Expectations
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4. The PC should utilise a wider variety of data, economic frameworks, and other tools to guide its analysis and recommendations, particularly in regard to services sectors.	Statement of Expectations
5. The PC should further recruit for skills and expertise in multi-disciplinary staff, and staff from diverse backgrounds appropriate for the topics it is called on to examine.	Statement of Expectations
6. The PC should engage further with government departments and utilise relevant departmental expertise where appropriate, including through secondments.	Statement of Expectations
7. The PC should seek to modernise its communication methods.	Statement of Expectations
8. The PC should enhance its efforts to publicise and explain its reports and findings after they have been published.	Statement of Expectations
9. The PC should review its stakeholder engagement practises.	Statement of Expectations
10. The PC should be required to formally consider and report on implementation feasibility and risks as a part of its reports.	Statement of Expectations/ Other government process
11. The PC should consider its ability to appropriately consult State and Territory governments when deciding to make recommendations that overlap with their jurisdictions.	Statement of Expectations/ Other government process
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14. Treasury and the PC should investigate ways to streamline the timing and process for the allocation of work to Commissioners.	Statement of Expectations/ Other government process

3. The history and context of the PC

History

- 3.1 Internationally, independent economic advisory bodies are growing in popularity, but they are still relatively rare. The Productivity Commission (PC) is the oldest and largest pro-productivity institution in the OECD.¹
- 3.2 The PC was established in 1998 as an independent entity to advise on matters of industry and productivity. It replaced three other bodies: the Industry Commission, the Bureau of Industry Economics and the Economic Planning Advisory Commission.
- 3.3 Its institutional roots are in fact deeper, reaching back to the Australian Tariff Board which was replaced by the Industries Assistance Commission in 1974 (itself a precursor to the Industry Commission).

Function

- 3.4 The PC's legislated mandate under section 6 of the *Productivity Commission Act 1998* is to:
 - Hold inquiries, report to, and advise the Minister on matters related to industry, industry development, and productivity as referred by the Minister.
 - Provide secretariat and research services to government bodies as directed by the Minister.
 - Receive and investigate complaints about competitive neutrality arrangements in relation to Commonwealth Government businesses and report findings to the Minister.
 - Conduct self-initiated independent research on industry and productivity-related topics.
 - Enhance public understanding of industry, industry development, and productivity matters.
- 3.5 In addition to holding inquiries and publishing reports on specific topics, the PC has several important ongoing roles. These include the secretariat and reporting functions for the *Report on Government Services* and publishing the *Closing the Gap Information Repository*.
- 3.6 These core functions have remained relatively constant since the PC's inception in 1998, though its major role in the Closing the Gap Agreement has been a significant new focus.

Scope

- 3.7 Although the functions of the PC have not shifted, the scope of issues that it is tasked with examining has expanded significantly.
- 3.8 As noted above, the PC's roots are in industry and trade analysis. This is reflected in the industry focus of its mandate in legislation, and its role in trade safeguard action reviews.

¹ D. Pilat (2023) The Rise of Pro-Productivity Institutions: A Review of Analysis and Policy Recommendations. Productivity Insights Paper No. 015, The Productivity Institute.

- 3.9 In recent years, however, a growing share of the PC's work has been directed into less traditional economic areas. It has released reports on mental health, disability services, school reform, visual arts and crafts, veteran services, and childcare.
- 3.10 The PC has been actively responding to this expanding mandate, along with changing public expectations around the efficacy and communication of policy advice, to remain a highly valued institution. However, there remains room for the PC to improve to ensure it is providing the most relevant and influential advice and analysis.

4. Findings

- 4.1 The findings in this paper have been informed by targeted stakeholder consultations and desktop research. While this process has not been as comprehensive as a formal review, it has yielded a set of evidence-based recommendations that could be implemented quickly and without any immediate legislative change.
- 4.2 We note that a formal review could provide a firmer foundation for more far-reaching reforms, but do not believe that this is necessary at this juncture.

The Productivity Commission's mandate

Recommendation 1: The PC's legislated mandate remains appropriate and should be retained.

- 4.3 In our view, the PC's legislated mandate to hold inquiries, report to, and advise the Minister on matters related to industry, industry development, and productivity (see section 3) remains appropriate.
- 4.4 This mandate is sufficiently broad and has enabled the PC to work on a wide range of issues in response to shifting government priorities.
- 4.5 It could be argued that the terms 'industry' and 'industry development' are remnants from the PC's historic role advising on industry policy and may skew the PC's focus towards more traditional sectors and frameworks. To address this, a change to the legislated mandate could be considered. For example, the term 'industry, industry development and productivity' could be replaced by 'different sectors of the economy and productivity'.
- 4.6 However, given that the current mandate has not limited the scope of PC inquiries, and the risks involved in opening up a legislative process in this area, we consider it preferable to retain the current mandate. Instead, the accepted broader framing of the PC's scope could be reflected in a Statement of Expectations, perhaps through reference to 'different sectors of the economy and productivity'.
- 4.7 In consultations, stakeholders expressed broad support for this approach. They valued the PC's independence and its core mandate. Stakeholders valued the PC's ability to examine different sectors of the economy and apply an economic lens to issues.
- 4.8 Stakeholders expressed different views on what the PC's role on environmental and climate policy should be, but there was broad agreement that it had a role to play in this area. Some suggested that it should focus on net-zero transition policy whilst others thought it would be best placed producing measures to value the environment. Other stakeholders thought the PC should be focussed on analysing the costs that climate and environment policies can impose.



Frameworks, capabilities, and skills

- 4.16 Within its mandate, the PC should do more to broaden and deepen its analytical frameworks to keep up with the expanded scope of topics it is being called on to examine. It should ensure it is ready to meet the future demands it will face and able to seize opportunities to influence policy with well-informed and best-practice analysis.
- 4.17 The PC is already working to address this challenge. It has previously acknowledged that the policy debate is increasingly moving into territory that is less traditional for economists and that more sophisticated approaches, which build on traditional economics, are necessary.²

Recommendation 4: The PC should utilise a wider variety of data, economic frameworks, and other tools to guide its analysis and recommendations, particularly in regard to services sectors.

- 4.18 The PC should continue to broaden and deepen its analytical frameworks to improve how it applies its economic lens to the new and emerging areas of focus that it has been tasked with examining (see section 3). This may include frameworks that consider non-market solutions,

² Brennan M (2019) 'How Can Economics Contribute to Better Policy-Making in Future' Speech to the Australian Conference of Economics, 15 July 2019

system design, and distributional impacts. At times, the PC appears to limit its analysis and recommendations to market-based solutions, overlooking non-market options and relevant up-to-date academic literature.

- 4.19 As the PC highlighted in *Advancing Prosperity*, lifting productivity in the services sector is increasingly important to Australia's overall prosperity. It further noted that productivity policy "has to focus on the areas that have proven hardest; not those areas where past progress has been most readily achieved". Despite this, in *Advancing Prosperity*, recommendations about education and health were only supported by a relatively thin level of analysis, compared to other topics.
- 4.20 The PC should not be looking to move away from its core role, to provide robust economic analysis, but rather look to ensure that its economic frameworks and other tools are appropriate for these new areas of focus and reflect cutting-edge research.
- 4.21 Stakeholders suggested that, in some cases, the narrow focus of the PC may have impacted the quality of recommendations that went on to inform significant government reforms. One stakeholder presented the Disability Care and Support inquiry as an example of this issue. The inquiry informed elements of the market structures of the NDIS, but the stakeholder suggested that these market structures were ill equipped for the care economy sector. They indicated that the PC could have learned lessons from the UK experience and from evidence in other social care markets but did not sufficiently do so. More broadly, stakeholders recommended the PC consider tools such as Scotland's *National Performance Framework* or the *Measuring What Matters Framework* when it is released.
- 4.22 A minority of stakeholders went further and contended that recent PC reports have been ideologically motivated with recommendations that did not reflect the analysis that the PC itself had conducted.

Recommendation 5: The PC should further recruit for skills and expertise in multi-disciplinary staff, and staff from diverse backgrounds appropriate for the topics it is called on to examine.

- 4.23 The PC's staff are experienced and knowledgeable. The PC places a high priority on attracting and retaining high calibre staff, that provide the intellectual and analytical capability to maintain the quality of its work.
- 4.24 To support the evolving expectations on the PC, there is room for the PC to diversify and deepen its skill sets. Diversifying the source of staff and their skill sets would assist in the injection of new skills and perspectives to the PC, contributing to a culture that encourages diversity in perspectives.
- 4.25 To achieve this, the PC should recruit for skills and expertise that allow it to appropriately comment on the new issues it has been asked to examine. Recruitment of multi-disciplinary staff and staff from diverse backgrounds and prior experiences would help achieve this. This focus on broadening the disciplinary base of staff should extend into professional development opportunities and selection of team leaders and be incorporated into strategic workforce planning, the PC's Corporate Plan and its Annual Report.
- 4.26 Stakeholders flagged that there may be barriers to entry to the PC and overreliance on staff with narrow backgrounds.

Recommendation 6: The PC should engage further with government departments and utilise relevant departmental expertise where appropriate, including through secondments.

4.27 The PC should consider greater use of secondments and temporary transfers from and to government departments and potentially non-government organisations at all levels. This would expose PC staff to broader perspectives and analytical frameworks and help with diffusion of skills. It may also help the PC engage more comprehensively on implementation issues (see Recommendations 10 and 11 below). For example, these arrangements could include secondments of relevant PC staff to departments after an inquiry to assist in implementation. This should not come at the expense of the PC's independence.

Communication and engagement

4.28 For the PC to maximise its influence in the crowded public policy arena, it must keep up to date with best practice engagement and communication methods at all stages of the inquiry process. This is crucial to ensure that it can reach as many people as possible and gather whole of community perspectives to inform its reports.

4.29 The PC is already making efforts to improve its communication and engagement. This can be seen in its Corporate Plan, which prioritises:

- Maintaining its capability to engage effectively and openly with all interested parties to inform high quality analysis and policy advice.
- Continuing to develop its cultural capability to engage and work more effectively with Aboriginal and Torres Strait Islander people.
- Continuing to develop its capacity to promote the outcomes of its work through different media.

Recommendation 7: The PC should seek to modernise its communication methods.

4.30 Despite this, many stakeholders raised concerns about the PC's communication methods. Stakeholders reported that PC publications are too long and lack summaries accessible to a general audience. These stakeholders could be considered prime potential consumers of PC reports and so ineffective communication with them may be significantly limiting the PC's influence.

4.31 Based on this feedback, our view is that the PC should look at ways to communicate its findings to the media and stakeholders across the economy in a more approachable and compelling manner, as a high priority. This should include producing more concise reports and summaries of its reports, accessible to a general reader, using best practise communication techniques.

4.32 To support this, the PC could also consider engaging additional communication experts.

Recommendation 8: The PC should enhance its efforts to publicise and explain its reports and findings after they have been published.

- 4.33 Building on Recommendation 7, the PC could also do more to publicly promote its reports after they have been published. This could be done, for example, with press conferences and other engagements. Commissioners should be prepared to brief the media on the key findings of their reports, particularly for more complex reports.
- 4.34 There is often little follow up from the PC after reports are released. Stakeholders conveyed a sense that reports are largely left to sink or swim on their own terms. For example, Commissioners rarely hold press conferences or media interviews after the release of their reports. Some stakeholders felt some Commissioners intentionally avoid being available for media comments following the release of a report.
- 4.35 Stakeholders contrasted the PC's limited communication with other organisations in the public policy sphere, like the Grattan Institute. They suggested that Grattan's reports are more influential, as they are usually well communicated and generate more media coverage.
- 4.36 Media engagement and 'after-care' has been a priority for the PC for several years and it has progressed in this area. However, the consultations suggest more work is needed.

Recommendation 9: The PC should review its stakeholder engagement practices.

- 4.37 Overall, the PC is recognised as running well-structured stakeholder engagement. The Commission conducts public hearings, calls for submissions that are made publicly available, and publishes draft and final reports. However, stakeholder feedback on this issue was mixed, suggesting that the PC could still review its practices.
- 4.38 For example, the PC does not always include recommendations in draft reports, thereby limiting stakeholder feedback on the final actions that the report will promote. The PC should consider releasing draft recommendations in its reports to gather feedback on these.
- 4.39 Some stakeholders expressed a view that the consultations the PC holds are, at times, "box-ticking exercises," and could be more developed.
- 4.40 Other stakeholders suggested that the PC had effective consultation mechanisms. For example, in Closing the Gap discussions, it was seen to bring its independence and comparative advantage in the data, and pair that with cultural awareness and an ability to work alongside First Nations stakeholders in pursuing their reporting requirements.
- 4.41 The OECD highlighted the PC's engagement with stakeholders through public consultation as noteworthy.³

Role in implementation

- 4.42 Without effectively considering practical policy implementation, recommendations can struggle to influence government policy. It is therefore vital that the PC complements its policy insights with appropriate and effective recommendations on how to translate them into

³ Cavassini, F., et al. (2022), "Pro-Productivity institutions at work: Country practices and new insights on their set-up and functioning", OECD Productivity Working Papers, No. 32, OECD Publishing, Paris

practice. This is distinct from taking responsibility for implementing government programs, which is outside the PC's remit.

Recommendation 10: The PC should be required to formally consider and report on implementation feasibility and risks as a part of its reports.

- 4.43 The PC is an independent agency and should be distanced from political considerations. However, we assess that the PC would benefit from engaging with policy implementation agencies more frequently to understand and consider the feasibility of its recommendations and potential market reactions. Several stakeholders shared this view.
- 4.44 Consultations may include discussions with departments and other affected groups on the feasibility of recommendations during the drafting process. They may also include secondments for more technical reports.
- 4.45 This recommendation could be implemented by including a requirement to consider and report on implementation in the Terms of References used to commission reports, as well as in a Statement of Expectations.
- 4.46 The PC should also seek to support implementation through improved communication, public engagement, and targeted engagement with relevant government departments (see Recommendations 7, 8 and 9).
- 4.47 Stakeholders noted that while the PC should improve its consideration of implementation issues when making recommendations, there is still scope for it to articulate ideal end state policy solutions.

Recommendation 11: The PC should consider its ability to appropriately consult State and Territory governments when deciding to make recommendations that overlap with their jurisdictions.

- 4.48 State and Territory representatives did not express strong views about the effectiveness of PC consultations, in the discussions that informed this paper. However, we consider that the PC should remain vigilant about its engagement with State and Territory Governments. There are two key reasons for this:
- Areas of overlapping responsibilities, such as transport, education, and public health, are vital to Australia's productivity. It is important that the PC's recommendations in these, and other spaces, are appropriately adapted to jurisdictional spans of control.
 - The PC is a Commonwealth agency tasked (only) by the Australian Government. However, its enabling Act explicitly calls upon it to make recommendations that relate to the States and Territories. This asymmetry can impact the framing of its recommendations and their utility at the State and Territory level.
- 4.49 The PC should consider greater engagement with State and Territory productivity agency counterparts (where they exist) as part of this recommendation.
- 4.50 In consultations, some stakeholders suggested greater consultation on implementation should extend to State and Territory governments, given they hold many levers essential to productivity reforms and are often identified in PC recommendations. However, other

stakeholders suggested that resourcing constraints limited the PC's ability to adequately engage with States and Territories on implementation issues.

Commissioners

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There may also be

space for the PC to improve how it draws on the Commissioner pool.

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Recommendation 14: Treasury and the PC should investigate ways to streamline the timing and process for the allocation of work to Commissioners.

4.58 Stakeholder feedback suggests that there can be a considerable lag (up to six months in some cases) between the 'unofficial' announcement of an inquiry and the allocation of a commissioner. Stakeholders said that this can lead to PC staff conducting significant preparatory work prior to the allocation of a Commissioner, leading to potential issues later in the inquiry process such as a difference in opinion on analytical frameworks.

- 4.59 It is not clear if this issue is caused by PC processes or delays in Terms of Reference drafting. It should be possible for Treasury and the PC to investigate, with Government, ways to streamline these processes.
- 4.60 This issue may be exacerbated in the case of Associate Commissioners, as there can be delays in their appointment, not just the allocation of work to them.

5. Implementation

Statement of Expectations

- 5.1 Most of the recommendations in this paper could be implemented through a Ministerial Statement of Expectations. This would provide guidance for the PC and clarify several aspects of its role, strengthening its analysis, recommendations, and communication. If pursued, the Statement should be produced in consultation with the PC, respectful of its independence.
- 5.2 Statements of Expectations can be issued by the responsible Minister to Commonwealth entities to provide greater clarity about government policies and objectives relevant to the entity. Whilst their legal force is limited, they can outline the priorities the Minister expects the entity to observe in conducting its operations. Statements of Expectations are usually issued to regulators, but nothing precludes a Minister from issuing one to a non-regulator.
- 5.3 If issued for the PC, a Statement of Expectations should request that the PC provide a response in the form of a Statement of Intent and incorporate it into their Performance Reporting process (that is, their Annual Report and Corporate Plan). This would provide insight on how the PC intends to take on board the statement's content, including those aspects drawn from the recommendations made in this brief.

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Attachment A – Process for preparing this paper

The paper is part of a broader assessment of key economic institutions.

- A.1 As part of an ongoing process flagged by the Treasurer to periodically assess Australia’s key economic institutions, Treasury undertook targeted stakeholder consultations, concentrated in March and April 2023, to gather views on the Productivity Commission (PC). The consultations were designed to inform initial deliberations about the structure, function, scope, and influence of the PC.
- A.2 Given time constraints, resourcing, and mandate, the consultations conducted to date have been limited in scope. They have not engaged with the full spectrum of stakeholders, particularly rank and file PC staff and members of the public. Many of the specific concerns and examples raised by initial stakeholder consultations need to be validated further.
- A.3 In addition, these consultations have not been able to rigorously investigate the merits and implications of possible legislative changes. Legislative change would likely be the most durable way to renew the PC. Given the importance of the PC’s independence, a clearer and more universally accepted understanding of the need for legislative change should be developed if this approach is taken.

Stakeholder consultations

- A.4 Via a series of targeted one-on-one interviews and broader roundtable deliberations, senior Treasury officials met with all current and former PC Chairs, a subset of Commissioners, prominent academics, state and territory government stakeholders, and representatives from peak bodies. Treasury sought views on the structure, function, scope, and influence of the PC. These discussions were subject to the Chatham House rule to facilitate an open exchange of ideas. Details of the consulted stakeholders are available in Appendix B.

The Commission’s role in First Nations policy

- A.5 The Commission has a significant role in reporting on the nature and effectiveness of the Government’s work on First Nations matters. This work includes producing a 3-yearly report of the Government’s Closing the Gap work, maintaining a Closing the Gap Dashboard to report the Government’s progress toward identified outcomes and work to report the mainstream expenditure through Government services and how that relates to Indigenous expenditure.
- A.6 Treasury did approach and have high level discussions with a representative of the Coalition of Peaks for their views on the PC’s work in this area. However, we largely treated the PC’s work on First Nations policy as out of scope of this renewal process — noting other mechanisms for feedback in this area.

Attachment B: Stakeholders Consulted

One-on-One consultations:

Michael Brennan - PC Chair
Peter Harris - Former PC Chair
Gary Banks - Former PC Chair
Catherine de Fontenay - PC Commissioner
Romlie Mokak - PC Commissioner
Dan Andrews - e61
Tennant Reed - Ai Group
Ken Henry - Former Treasury Secretary
Chris Barrett - Department of Treasury and Finance, VIC Gov
Maggie Walter - University of Tasmania
Anna Cronin - VIC Gov
Adrian Carson - Institute for Urban Indigenous Health
Coalition of Peaks - Ginibi Robinson
Bruce Chapman - ANU
Felicity Wade - Labor Environment Action Network
Ian Bartholomew - NIAA
Joseph Mitchell - ACTU
Thomas Greenwell - ACTU

Expert roundtables:

Danielle Wood - Grattan Institute
Peter Grist - ACCI
Melinda Cilento - CEDA
Peter Burn - Ai Group
Roy Green - University of Technology Sydney
Chris Richardson - Rich Insight
Greg Jericho - Australia Institute
Andrew Hudson - Centre for Policy Development
Angela Jackson - Impact Economics
Rod Glover - Monash University
Matthew Addison - COSBOA
Matt Grudnoff - Australia Institute
John Daley - EY
Pero Stojanovski - BCA

State and Territory government roundtable:

Chris Robert - ACT Treasury
Nicole Wong - ACT Treasury
Geraldine Carter - NSW Treasury / NSW PC
Danielle Maher - NT Gov

Nadia Mahmood - NT Gov
Karen Hooper - QLD Treasury (Former QLD PC Commissioner)
Greg Raymond - SA Treasury and Finance
Craig Tipping - TAS Department of Treasury
Dean Burgess - TAS Department of Treasury
Lucy Percival - VIC Department of Treasury and Finance
Susan Zhao - VIC Department of Treasury and Finance
Alistair Jones - WA Treasury

Commonwealth Departments and Agencies

Department of Prime Minister and Cabinet
Department of Industry, Science and Resources
Department of Finance
Department of Education
Department of Employment and Workplace Relations
Department of Agriculture, Fisheries and Forestry
Department of Social Services
Department of Climate Change, Energy, the Environment and Water
Department of Health and Aged Care
Australian Public Service Commission



Australian Government
The Treasury



Ministerial Submission
MS23-001929

FOR ACTION – Renewal of the Productivity Commission – Further Options

TO: Treasurer - The Hon Jim Chalmers MP

TIMING

By mid-October, to enable you to issue a Statement of Expectations to the incoming Chair of the Productivity Commission, early in their term.

Recommendations

That you:

- Note the further options for renewal of the Productivity Commission, which complement or strengthen the recommendations made in MS23-001751.

Noted / Please discuss

- Agree to the further recommendations for renewal of the Productivity Commission detailed in **Attachment A**.
advice and relevant recommendations have informed the statement of expectations, which has been agreed by the incoming PC Chair

Agreed / Not agreed

- Agree that Treasury will draft a Statement of Expectations, incorporating the relevant recommendations, for you to agree with the incoming Chair, early in their term.
advice and relevant recommendations have informed the statement of expectations, which has been agreed by the incoming PC Chair

Agreed / Not agreed

- Agree that Treasury will progress the remainder of the recommendations.
Relevant recommendations to be progressed consistent with SoE

Agreed / Not agreed

Signature 	09-11-2023 Date: / /2023
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KEY POINTS

- You asked us to provide additional advice on ways to renew the Productivity Commission (PC), to ensure it is best placed to contribute to public policy development.
- We have developed a paper (**Attachment A**) with 13 recommendations, which complement or strengthen the recommendations made in our previous submission (MS23-001751). The recommendations propose:

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- Actions to help the PC better influence the public debate, including holding more policy roundtables and conferences, the establishment of an advisory council, and the preparation of more frequent and focused short form advice,
 - The PC Chair should meet annually with the Secretaries' Board, and with the Council on Federal Financial Relations, and
 - The PC playing a greater role in the evaluation of intergovernmental agreements and government services.
- These recommendations have not been informed by stakeholder consultations beyond those outlined in MS23-001751.
 - If agreed, the recommended changes could all be implemented without legislation.
 - As outlined in MS23-001751 and Attachment A, the recommendations could be implemented through a Statement of Expectations, and through updates to Government processes.
 - However, amending the *Productivity Commission Act 1998* would be beneficial if the changes are intended to be permanent.
 - Most of the recommendations would require additional resourcing for the PC, which would need to be funded through the budget.

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ATTACHMENTS

A: Further Options for Renewal of the Productivity Commission

Productivity Commission Refresh

This paper provides further options to refresh the Productivity Commission (PC). These options complement or strengthen the recommendations made in our previous submission (*MS23-001751*).

Influencing the public debate

The PC should increase its stakeholder engagement activities. The PC should do this not only with a view to informing its recommendations, but also to build a broad base of support for them. To achieve this, the PC could convene policy roundtables and conferences on matters of public interest and publish summaries of the discussions to enable a cycle of feedback ([Recommendation 7](#)). This would ensure the PC is at the forefront of reform options, has access to evidence, and considers broad community views.

The PC could also be supported by an advisory council with broad membership, including from business, unions, community groups, service delivery entities, academics and the public service ([Recommendation 8](#)). The advisory council would help ensure the PC is receiving regular information about trends, emerging issues, and implementation considerations from a cross-section of voices, key stakeholders and relevant experts.

Coupled with this approach to engagement, the government could task the PC to produce focused reports on priority policy issues that would be completed over a shorter timeframe than currently ([Recommendation 9](#)). A precedent for this is the work on supply chains undertaken during the COVID pandemic.

All these changes could be done without legislation. Most have resource implications.

Interaction with government and role in implementation

Policy recommendations are most influential when they are actionable, and priorities for government. It is vital that the PC's policy insights are complemented by recommendations that can be translated into practice.

The PC Chair should report to Secretaries Board at least once per year to exchange views on emerging priorities ([Recommendation 10](#)). Similarly, the PC should enhance its engagement with State and Territory governments when developing recommendations, and the Chair should report to CFFR at least once per year ([Recommendation 11](#)). This will help ensure that the PC's research is relevant to current issues, and its reports are more readily actionable when implementation requires collaboration across jurisdictions.

All these changes could be done without legislation. Most have resource implications.

Other

The PC could be tasked with evaluations of the impact of National Reform Agreements ([Recommendation 12](#)). These evaluations could assess the effectiveness of the agreements to inform renegotiations. The PC could also identify gaps in data collection that would provide for better assessment in future agreements. This could be piloted in select agreements before being rolled out consistently, to assess its usefulness.

Further to this, the PC could play a role in evaluating the effectiveness of specific government services ([Recommendation 13](#)). This would be a natural addition to its work on the Review of Government Services, but should be commissioned separately to allow for greater specificity.

All these changes could be done without legislation. Most have resource implications.

List of recommendations in this paper

Recommendation	Implementation avenue
A new operating model	
s 22	
6. The PC should publish a Code of Conduct for Commissioners, and outline expectations about how Commissioners will deal with conflicts of interest.	Statement of Expectations
Influencing public debate	
7. The PC could convene policy roundtables and conferences on matters of public interest and publish summaries of the discussions to enable a cycle of feedback.	Statement of Expectations
8. An advisory council with broad membership including from business, unions, community groups, service delivery entities, academics and the public service could support the PC.	Statement of Expectations / legislation
9. The government could task the PC to produce focused reports on priority policy issues that would be completed over a shorter timeframe than currently.	Government process / Statement of Expectations
Interaction with government and role in implementation	
10. The PC Chair should report to Secretaries Board at least once per year to exchange views on emerging priorities.	Government process / Statement of Expectations
11. The PC should enhance its engagement with State and Territory governments when developing recommendations, and the Chair report to CFFR at least once a year.	Statement of Expectations / Government process
Other	
12. The PC could be tasked with evaluations of National Reform Agreements. This could be piloted before being rolled out more broadly.	Government process
13. The PC could play a role in evaluating the effectiveness of specific government services, as a complement to ROGS.	Government process

Appendix: Recommendations made in the earlier PC Options Paper

Recommendation	Implementation avenue
1. The PC's legislated mandate remains appropriate and should be retained.	Statement of Expectations
s 22	
4. The PC should utilise a wider variety of data, economic frameworks, and other tools to guide its analysis and recommendations, particularly in regard to services sectors.	Statement of Expectations
5. The PC should further recruit for skills and expertise in multi-disciplinary staff, and staff from diverse backgrounds appropriate for the topics it is called on to examine.	Statement of Expectations
6. The PC should engage further with government departments and utilise relevant departmental expertise where appropriate, including through secondments.	Statement of Expectations
7. The PC should seek to modernise its communication methods.	Statement of Expectations
8. The PC should enhance its efforts to publicise and explain its reports and findings after they have been published.	Statement of Expectations
9. The PC should review its stakeholder engagement practises.	Statement of Expectations
10. The PC should be required to formally consider and report on implementation feasibility and risks as a part of its reports.	Statement of Expectations/ Other government process
11. The PC should consider its ability to appropriately consult State and Territory governments when deciding to make recommendations that overlap with their jurisdictions.	Statement of Expectations/ Other government process
s 22	
14. Treasury and the PC should investigate ways to streamline the timing and process for the allocation of work to Commissioners.	Statement of Expectations/ Other government process