



Speech By  
**Hon. Curtis Pitt**


**MEMBER FOR MULGRAVE**

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**QUEENSLAND PRODUCTIVITY COMMISSION BILL**

**Second Reading**

 **Hon. CW PITT** (Mulgrave—ALP) (Treasurer, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships) (4.47 pm): I move—

That the bill be now read a second time.

I thank the Finance and Administration Committee for its report, tabled on 2 November 2015, regarding the Queensland Productivity Commission Bill. I also thank those who made submissions to the committee about the bill and those who appeared as witnesses as part of the committee's inquiry. The committee has recommended the bill be passed.

This bill establishes the Queensland Productivity Commission in its permanent form. The commission has been operating since 1 May 2015 in an interim form as a government entity under the Public Service Act 2008. This bill establishes the commission as an independent statutory body in order to formalise its independence from government and establish its full set of functions and powers. The commission will provide independent economic and policy advice to the state with the goal of increasing productivity, driving economic growth and improving living standards in Queensland.

The creation of the commission is another election commitment the government is delivering on. Productivity is the main driver of long-term economic prosperity. However, there are economic and structural pressures on future productivity growth. The economy is evolving in the direction of services industries, which historically have had lower productivity growth than more capital intensive industries. At the same time, the public sector is having to manage the economic impact of an ageing population, including growing demand on the health sector and social expenditures. Most immediately, there is the impact of lower commodity prices on the economy and government finances. Of course, the most easily reachable gains in productivity are now gone as the infrastructure and regulatory reform program of the 1990s and 2000s—the Hilmer reforms—is now largely complete.

So it is clear that governments should seek new productivity gains in order to protect economic growth and living standards. The Queensland Productivity Commission is intended to be a key mechanism in that respect. It will be unique at a state or territory level. No other state or territory has an independent authority focused on productivity matters. Some states—New South Wales and Western Australia—conduct public economic inquiries, but these inquiries are by their economic regulatory bodies rather than a stand-alone authority. This government considers an independent body focused solely on productivity related matters will yield better results.

The commission will be an independent statutory body with an advisory function only and no executive function. The government will set the questions for the commission's work. The commission will work through the issues in detail with the help of public consultation before providing an independent

opinion to government. The government will then respond to the commission's findings. The government will remain the decision-maker, but it will have the benefit of rigorous, thorough and public advice from the commission.

It is important to recognise the chain of responsibilities and accountabilities involved. The commission is independent in its operations and accountable for the quality of its work, but the government sets the commission's tasks and priorities. This contrasts, for example, with the case of the Auditor-General, who cannot be directed about the priority given to audit matters. Indeed, to equate the functions and accountabilities of the commission with those of either the Ombudsman or the Auditor-General is to fundamentally misconstrue the character of those statutory offices. In the case of the commission, the government makes the final decisions and is accountable for those decisions.

Having the commission subject to direction by parliament to undertake a specific inquiry would compromise the fundamental model of the commission. The commission would have two masters and this would both confuse its operations and blur the chain of responsibility and accountabilities. Of course, the government is very open to members' suggestions about what the commission should investigate. This is the model adopted by the Australian Productivity Commission and it has worked well, with that body driving economic reforms across many sectors, including the energy reforms of the 1990s and most recently the National Disability Insurance Scheme.

The commission will have four main lines of work. First, it will conduct public inquiries and make public reports on questions referred to it by the government. These inquiries will involve expert, rigorous analysis and will be informed by comprehensive public consultation. Second, the commission will provide advice on regulatory matters and be an independent reviewer of Queensland government agency regulatory impact assessments. Third, it will provide advice on competitive neutrality issues and policy. Finally, the commission will undertake research to assist its other functions and to inform the public about Queensland's productivity performance.

The commission will be an economic advisory body. The questions it will investigate will be economic ones: how to improve policies and regulation to get better economic outcomes; how to get better results from government expenditure; what the productivity and economic implications of new proposals are; and how existing government programs have performed in terms of their productivity and economic outcomes. While the questions will be economic, the scope of the commission's work will not be limited to traditional economic infrastructure sectors. For example, the commission may be asked to examine how to improve productivity and achieve better value for money across social sectors such as housing, health, education and Indigenous affairs. The commission will be asked by the government to go where the main economic issues are and where the productivity gains can be made.

Public involvement will be a central feature. By public involvement the government means comprehensive and systematic consultation with the public and stakeholders. This will involve measures such as public hearings and forums, regional visits, seeking comments on draft reports and issues papers and the establishment of stakeholder reference groups. It will mean the commission responding to the results of these consultations in its reports, while of course respecting the commission's ultimate independence and responsibility to make its own conclusions.

I propose now to consider some of the more important provisions of the bill and the reasons for them. Part 1 states that the purpose of this act is 'to establish the Queensland Productivity Commission to provide independent economic and policy advice to the State with the goal of increasing productivity, driving economic growth and improving living standards in Queensland.' The reason for this definition is to make clear that the Commission is an advisory body, focused on economic and policy issues and with the clear objectives concerning productivity, economic growth and living standards.

Part 2 stipulates that the commission's functions will be to facilitate and promote productivity in Queensland, to undertake inquiries as directed by the minister, to research and analyse productivity matters and to advise the government on competitive neutrality and regulatory matters. In undertaking these functions, the commission will be focused on productivity but have regard to a range of economic and policy considerations and the public interest generally. In particular, the commission may have regard to living standards, employment, real wages, industry development, environmental sustainability, fiscal sustainability and the public interest.

The board of the commission will consist of a maximum of three commissioners, including the principal commissioner. The board will be appointed under this act, holding office for a maximum of three years. They must abide by standard provisions for the management of potential conflicts of interest and cannot be insolvent or have criminal histories. Staff are to be appointed under this act, not the Public Service Act 2008.

The commission will be required to perform its functions with 'independence, rigour, responsiveness, transparency, equity, efficiency and effectiveness'. These are principles of good governance especially relevant to the commission as an independent economic advisory body. They are intended to work in a holistic way with the commission balancing and integrating the separate principles in all of its work.

Part 3 deals with the arrangements for public inquiries. Public inquiries will be the core of the commission's work. Inquiries will be commissioned by the government through a written ministerial direction notice. The notice may require a specific process for undertaking an inquiry, such as having regard to certain matters and undertaking particular types of consultation. The written notice must be published on the commission's website. The commission must then undertake public consultation. The commission must prepare a written report and provide it to the minister. The minister must then give the commission a written response within six months after receiving it. The report will then be published on the commission's website.

These provisions will ensure that the commission's work is open and transparent, with substantial public involvement. They require key documents—the ministerial direction and report—to be publicly available. They require the minister to respond to reports and give the minister a reasonable length of time to prepare a considered response before the report is published. In this regard, while the ministerial response is not formally required in the legislation to be made public, it is likely in practice that it will be, especially as the report itself will be made public. This approach follows that of the Australian Productivity Commission which usually involves simultaneous release of reports and government responses.

Part 4 deals with arrangements for the commission's research function. Part 5 deals with the commission's competitive neutrality functions. The competitive neutrality role has been transferred from the Queensland Competition Authority, the QCA. The principle of competitive neutrality is that a government agency carrying on a significant business activity should not enjoy a competitive advantage over competitors in a particular market solely because the agency's activities are not subject to certain requirements based on its government ownership. The commission will provide an independent complaints mechanism role which will allow it to receive competitive neutrality complaints, investigate those complaints and publicly report to government on whether the complaints are substantiated. Under the consequential provisions of the bill, the commission is also nominated to replace the QCA as the independent referee to investigate and report on competitive neutrality complaints against local government business activities.

Part 6 gives the minister the power to direct the commission to undertake research and analysis and make recommendations on regulatory matters. The commission has already assumed in its interim structure the work of the former Office of Best Practice Regulation in the QCA. This part makes the move permanent, with the commission now to be the government's main independent adviser on regulatory matters.

Part 7 sets out provisions for the conduct of board meetings and requires the commission to keep the minister reasonably informed of its operations. This part also deals with the commission's information management practices. The commission will have the power to require information in order to help with its investigations. However, this will be limited to government agencies, water distributor-retailers, local government and local government companies. There will be exemptions for certain types of material such as information subject to legal professional privilege or parliamentary privilege. There is also a provision for confidentiality requests to accompany the provision of commercial-in-confidence information. While these information powers exist, the commission is likely, in practice, to base its work on publicly available information. The use of publicly available information is important as it can be scrutinised and tested by stakeholders, thereby raising the transparency and rigour of reports.

Parts 8 and 9 contain evidentiary and miscellaneous definitional matters. Part 10 comprises transitional provisions concerning the transfer of competitive neutrality complaints and investigations from the QCA to the commission, and staff transfer and appointment matters.

Finally, I wish to advise the House of my intention to move amendments to the bill during consideration in detail to address some minor referencing issues. The amendments will correct cross-references to other legislation contained in clause 52, schedule 1 and schedule 2 of the bill.

The establishment of the Queensland Productivity Commission is a key economic reform. The government expects the commission's work to be of material benefit to the Queensland economy and to the living standards of Queenslanders. I commend the bill to the House.