

CHAPTER 3: COAG REFORM AGENDA AND PRODUCTIVITY IN VICTORIA

Key findings of the Committee:

- 3.1** On 20 December 2007, the Council of Australian Governments (COAG) (formerly known as the NRA) agreed to a new model of cooperation underpinned by more comprehensive working arrangements. COAG identified seven areas for its 2008 work agenda: health and ageing; the productivity agenda – including education, skills, training and early childhood; climate change and water; infrastructure; business regulation and competition; housing; and Indigenous reform.
- 3.2** At its meeting held on 26 March 2008, COAG agreed to a new model for federal financial relations, with priority given to modernising payments for specific purposes and the development of National Partnership Payments.
- 3.3** Victoria recorded real gross state product (GSP) of \$56.60 per hour worked in 2006-07, up 2.0 per cent from 2005-06 and 10.9 per cent from 1999-2000. This is in line with the national average real GSP per hour worked of \$56.80 in 2006-07 (up 1.8 from 2005-06 and 12.6 per cent from 1999-2000).
- 3.4** According to the government, Victorian gross state product is forecast to grow by 3.25 per cent in 2007-08 and by 3 per cent in 2008-09. Growth will be supported by solid, albeit slower, growth in household consumption, dwelling investment and business investment as well as continued recovery in the farm sector (assuming a return to average seasonal conditions).
- 3.5** The Committee noted that at the most recent COAG meeting held on 3 July 2008, leaders reaffirmed their commitment to the goals of the COAG Reform Agenda to address the challenges of boosting productivity, increasing workforce participation and mobility and delivering better services for the community. COAG welcomed the substantial progress that had been made on the broad reform agenda.
- 3.6** The Committee observed, however, that there is a lack of publicly disclosed information in Victoria to demonstrate the linkages between economic reforms, outcomes derived in terms of increasing productivity and improving economic growth and prosperity. The impact of economic factors, including productivity improvements, on budget formulation is also not clearly discernible.
- 3.7** Given the importance of expanding Victoria's productivity capacity in terms of enhancing economic growth and the state's prosperity into the future, the Committee believes that as the new COAG Reform Agenda gains momentum, there will be a need for the development of a more transparent and comprehensive outcome-based public accountability regime, both in annual reports and the state's budget papers.
- 3.8** As the COAG Reform Agenda unfolds and improvements to Victoria's productivity are achieved, the Committee will view with interest the outcome of evaluations conducted on reform projects, the effectiveness of strategies designed to improve Victoria's productivity and enhancements introduced to improve the outcomes reporting framework.

3.1 Introduction

Past coverage by the Committee

Since the inception of the 56th Parliament of Victoria, past Committee reports covering the budget estimates for 2007-08 and financial and performance outcomes for 2006-07 have featured:

- commentary on the way in which budget initiatives have responded to the National Reform Agenda (NRA); and
- examples of the impact of portfolio spending initiatives on improving productivity in Victoria.

The Committee was pleased to learn that in terms of its recommendation that the Department of Premier and Cabinet ensure that evaluations (including assessments of measurable costs and benefits against estimates) take place with regard to the delivery of NRA programs and projects, the government indicated that the department would consider further information around evaluation as the NRA develops.⁶³

The Committee was also pleased to find that in response to its recommendation that the budget papers explain how strategies and initiatives are designed to improve Victoria's productivity and associated outcomes for the community, the government advised that the Department of Treasury and Finance and Department of Premier and Cabinet would continue to work together, in consultation with departments, to develop and improve the outcomes reporting framework.⁶⁴

As the Council of Australian Governments (COAG) Reform Agenda (formerly known as the NRA) unfolds and improvements to Victoria's productivity are achieved, the Committee will view with interest the outcome of evaluations conducted on reform projects, the effectiveness of strategies designed to improve Victoria's productivity and enhancements introduced to improve the outcomes reporting framework.

Council of Australian Governments – recent deliberations prior to the handing down of Victoria's budget for 2008-09 on 6 May 2008

The Committee noted that with the change in government that occurred at the Federal level after the Federal election in November 2007, COAG decided at their meeting on 20 December 2007 that previously agreed work under the NRA would continue.⁶⁵

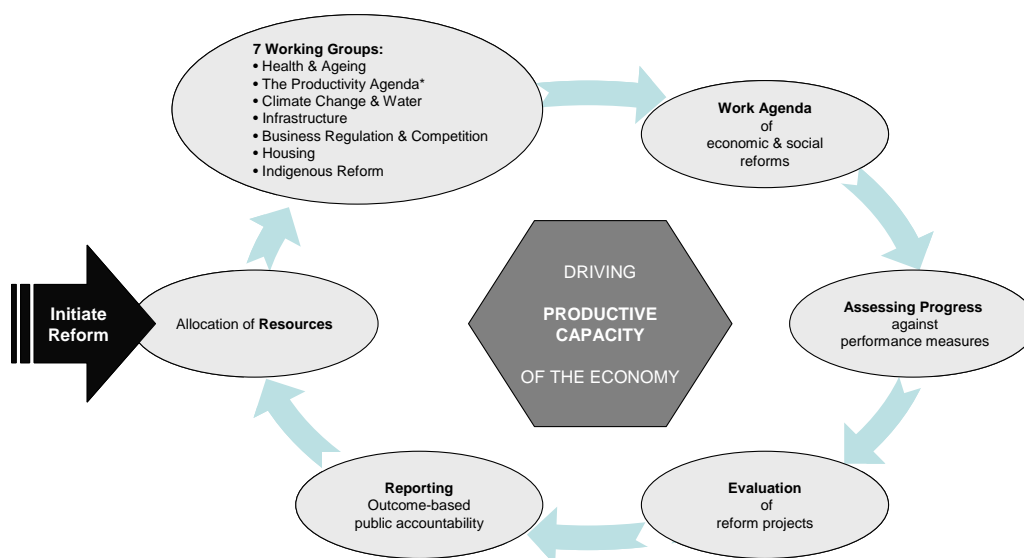
At its meeting on 26 March 2008, various commitments were made by COAG concerning a new COAG Reform Agenda. The new platform encompasses elements of the NRA. This new microeconomic reform agenda for Australia, which has a focus on health, water, regulatory reform and the broader productivity agenda, also covers areas connected with water supply, climate change, infrastructure, housing affordability, homeless people and Indigenous disadvantage. The productivity agenda includes reforms across all aspects of education – early childhood development, schooling and vocational education and training. Importantly, at its March 2008 meeting, COAG agreed to a new model for federal financial relations, with priority given to modernising payments for specific purposes and the development of National Partnership Payments. A diagram developed by the Committee showing components of the COAG Reform Agenda is presented in Figure 3.1.

⁶³ Government Responses to the Recommendations of Public Accounts and Estimates Committee's 73rd Report on the 2007-08 Budget Estimates, p.4

⁶⁴ *ibid.* p.6

⁶⁵ Council of Australian Governments, Communiqué, 20 December 2007, p.2

Figure 3.1: The COAG Reform Agenda



Note: * Education, Skills, and Training Early Childhood

Source: Figure compiled by Public Account & Estimates Committee

In terms of engagement between the Victorian and commonwealth governments, the Premier advised at the Committee at the budget estimates hearing on 12 May 2008 that:

*“There have been a number of examples and historically the national reform agenda is probably the best example of significant reform, which is about driving productivity growth. ...”*⁶⁶

The key thing there in the national reform agenda is, as I said earlier, that it is investment in human capital and it is regulation reform. In the human capital area they are really the two strands. The first is preventive health care, and the second is investment in education and skills. In the preventive health care space, the federal government is doing a huge amount of work in that area at the moment. Already it has partnered with us on increasing funding for things like diabetes. There has been some modest increase in funding in that area, which we welcome. There has been a significant increase in mental health funding, which we welcome, and we hope to see more which will come out of possibly this week’s federal budget in that preventive health space. I know just from the work that the DHS has done on diabetes in Victoria the savings that can be made in the workforce from reducing diabetes. Diabetes is costing the Victorian economy about \$1 billion a year, and there are great opportunities under the NRA to reduce that.

*In education I think the biggest thing is the commitment the federal government has made to 500,000 new training places over next four years. Again, we look forward to a start to that in the federal budget, and that is consistent with all the work that the productivity working group, as part of COAG, chaired by Deputy Prime Minister Julia Gillard has been doing. So I think there is very positive work occurring, it is pretty detailed work, and it is all consistent with that national reform agenda.”*⁶⁷

⁶⁶ Hon. J Brumby MP, Premier, 2008-09 Budget Estimates hearing, transcript of evidence, 12 May 2008, p.5
⁶⁷ *ibid.* p.24

3.2 Impact of developments at the Commonwealth level on budget formulation in Victoria

In examining the Budget Estimates for 2008-09, the Committee was interested in ascertaining from agencies the impact that developments at the Commonwealth level have had on preparing departments' component of the state budget. Information provided by departments in May 2008 is set out in table 3.1.

Table 3.2: Measures undertaken at the Commonwealth level that have impacted on the development of departments' budgets for 2008-09

Department	Commonwealth government developments
Parliamentary departments	Minimal (if any) impact has resulted from development at the Commonwealth level.
Department of Education and Early Childhood Development	<p>Changes to the approach taken by the Commonwealth Government to distribute Specific Purpose Payments (SPP) from 2009 onwards have not been finalised. Discussions are currently being undertaken with the States on how the Specific Purpose Payments will be distributed to the States from 2009 onwards.</p> <p>As changes to the way the Commonwealth will distribute SPP have not been finalised, the 2008-09 Budget has been prepared in the same manner as previous budgets with SPP continuing to be identified separately.</p> <p>Indexation, based on the anticipated movement in the Average Government School Recurrent Cost (AGSRC), has been incorporated into the 2008-09 Budget and the forward estimates.</p> <p>Any Commonwealth funding received as part of the 2008-09 Commonwealth Budget will be reflected in the Department's forward estimates post-budget.</p>
Department of Human Services	<p>On 20 December 2007, COAG agreed to a new model of cooperation underpinned by more comprehensive working arrangements. COAG identified seven areas for its 2008 work agenda: health and ageing; the productivity agenda – including education, skills, training and early childhood; climate change and water; infrastructure; business regulation and competition; housing; and Indigenous reform.</p> <p>Seven working groups were established, each overseen by a Commonwealth Minister, with senior departmental level deputies nominated by the States and Territories. The Secretary, Department of Human Services is a health and ageing workgroup representative and facilitates a constructive working relationship with the Commonwealth in health and ageing and across the breadth of human services. The Director of Housing is a Victorian representative on the Affordable Housing working group.</p> <p>COAG has also agreed to begin changing the nature of Commonwealth-State funding arrangements by focusing more on outputs and outcomes, underpinned by a commitment from the Commonwealth Government to provide incentive payments to drive reforms. This will include reform of Specific Purpose Payments (SPP). The proposed SPP reforms are expected to require less onerous reporting and concentrate on outputs and outcomes, and new National Partnership Payments (NPPs) will include incentive reform type payments which may be subject to more detailed accountability and reporting.</p>

Table 3.2: Measures undertaken at the Commonwealth level that have impacted on the development of departments' budgets for 2008-09 (continued)

Department	Commonwealth government developments
Department of Human Services (continued)	<p>In relation to health and ageing, areas of COAG focus include:</p> <ul style="list-style-type: none"> • tackling elective surgery waiting times; • investing in public dental programs; • nursing workforce; • preventative health care; and • GP superclinics. <p>The department's funding submission to the 2008-09 State Budget provided for existing Commonwealth/State agreement commitments and related activities including:</p> <p>Elective Surgery</p> <p>The Commonwealth and States have signed the Commonwealth 2008 Elective Surgery Waiting List Reduction Plan funding agreement. Victoria will be funded \$34.2 million to perform an additional 5,908 elective surgery procedures by 31 December 2008.</p> <p>Chronic Disease</p> <p>Recent COAG initiatives have sought to improve health outcomes associated with chronic disease. An explicit agenda to increase the focus on prevention and early intervention underscores the Australian Better Health Initiative (ABHI) and the human capital stream of the National Reform Agenda (NRA). Both initiatives have been key drivers for plans to develop a Victorian Integrated Chronic Disease Plan and roll out of associated activities in 2008-09.</p> <p>The existing focus on an integrated approach to chronic disease in Victoria will contribute to meeting health outcomes of ABHI and the NRA along the care continuum from the well population to those with advanced chronic conditions.</p> <p>Oral Health</p> <p>Australia's National Oral Health Plan 2004-13, endorsed by all health ministers, sets out an action area to extend water fluoridation around Australia.</p> <p>HIV/AIDS and Hepatitis C</p> <p>Commonwealth funding provided to the State in relation to HIV/AIDS and Hepatitis C has had no growth component for a number of years.</p> <p>Workforce</p> <p>The Commonwealth government's announcement of 1,500 additional university nursing places across Australia from 2009 is welcomed, but will require Victorian public health services to create additional clinical placements for the new nursing students. This will make it more important for public hospitals to be able to offer high quality teaching facilities, including teaching rooms, teaching equipment, and audiovisual and simulation tools.</p> <p>Mental Health</p> <p>The development of the new Victorian mental health strategy builds on a new framework for joint Commonwealth-State responsibilities for mental health service provision. These shared and complementary responsibilities were progressed through the COAG National Action Plan on Mental Health and continue to be developed through the Victorian COAG Mental Health Group and a range of other intergovernmental structures.</p> <p>In addition, Victoria has commenced working with the Commonwealth in the early stages of implementing the Commonwealth Government's commitment on peri-natal mental health.</p>

Table 3.2: Measures undertaken at the Commonwealth level that have impacted on the development of departments' budgets for 2008-09 (continued)

Department	Commonwealth government developments
Department of Human Services <i>(continued)</i>	<p>Housing</p> <p>The Commonwealth Government's focus on increasing housing affordability and ameliorating homelessness aligns with the Victorian Government's objectives in this area.</p> <p>The Commonwealth has announced a National Rental Affordability Scheme to grow the supply of affordable housing in Australia. This builds on the Victorian Government's commitments to grow affordable housing supply for low-income people, including the ongoing delivery of units associated with the \$500 million boost for social housing announced in the 2007-08 State Budget.</p> <p>The Commonwealth's A Place to Call Home initiative, which aims to provide homeless people with immediate access to long-term housing, complements work being done in Victoria to provide better access to housing and homelessness services and prevent people becoming homeless in the first place.</p>
Department of Infrastructure	<p>During the federal election, the Commonwealth Government agreed to provide funding of \$2.7 billion to Victoria for 23 AusLink 2 projects between 2009-2014.</p> <p>These projects will be funded in partnership with the Victorian Government. They will enhance the efficiency of Victoria's transport network and facilitate economic development, regional growth and export activity. The Victorian Government is keen to commence delivery of these projects as quickly as possible.</p> <p>Victoria has sought Commonwealth funding for Auslink 2 projects in the federal 2008-09 Budget. The Victorian and Commonwealth Governments are working in partnership to address the gaps and bottlenecks in the national transport system and generate new jobs, investment and prosperity for Victorians.</p>
Department of Innovation, Industry and Regional Development	<p>Developments at the Commonwealth level have had minimal impact, however there is the potential for future impact in relation to proposed changes to the negotiation of Commonwealth Specific Purpose Payments and changes in relation to Tertiary Education funding.</p>
Department of Justice	<p>Departmental Response</p> <p>The development of the 2008-09 Budget allows for increased judicial remuneration costs. These costs are driven by the Government's policy to maintain parity with the Commonwealth Remuneration Tribunal's determination, as required under the Judicial Salaries Act 2004.</p> <p>In addition, the Department of Justice (DoJ) receives two major Commonwealth Special Purpose Payments:</p> <ol style="list-style-type: none"> <li data-bbox="576 1621 1372 1823">1. <i>Compensation for transfer of corporate regulatory function to Commonwealth</i> In 1991, to ensure uniformity and efficiency in company and securities regulation, the States agreed to hand over their regulatory functions to the Commonwealth. The States are compensated by the Commonwealth for the financial loss of companies and securities regulation revenues as a result of this change. <li data-bbox="576 1823 1372 1993">2. <i>Legal Aid</i> Commonwealth specific purpose grants are paid to assist the functioning of State legal aid schemes. The Commonwealth provides funding for a share of the operating costs of State Legal Aid Commissions and for referrals to private practitioners on Commonwealth matters.

Table 3.2: Measures undertaken at the Commonwealth level that have impacted on the development of departments' budgets for 2008-09 (continued)

Department	Commonwealth government developments
Department of Justice <i>(continued)</i>	<p>Victoria Police Response</p> <p>There have been no specific Commonwealth Government developments impacting on the Victoria Police component of the state budget.</p>
Department of Planning and Community Development	<p>There are significant opportunities to collaborate with the Commonwealth Government, particularly in the areas of housing affordability, social inclusion, cutting red tape, and strengthening local government and the community sector.</p> <p>Key developments at the Commonwealth level influencing the department's budget preparation included:</p> <ul style="list-style-type: none"> • housing strategy and policy (e.g. housing affordability, use of surplus government land); • climate change (e.g. coastal management and the future of farms); • water resources (e.g. water security for towns and cities); and • transport infrastructure (e.g. funding of major road and rail freight projects through Auslink 2). <p>The Commonwealth is also a funding contributor to a number of Australian Football League club facility redevelopment projects and to events such as the Parliament of the World's Religions.</p>
Department of Premier and Cabinet	<p>There has been no direct impact on the departmental budget, other than recognition of the continued importance of policy advice to the Premier and Victoria's input into the National Reform Agenda.</p>
Department of Primary Industries	<p>The release of the Commonwealth Budget on 13 May 2008 confirms the Rudd Government's commitment to substantial funding of low-emission energy technologies. This was anticipated in the Victorian budget allocation for such technologies, which will be used to leverage Commonwealth and private funding.</p>
Department of Sustainability and Environment	<p>The main impact for the department arising from developments at the Commonwealth level is the lack of early advice on funding for a number of projects or programs. This means that there is some uncertainty for the department as to expected Commonwealth revenue for 2008-09, including the level of the department's Special Purpose Payments (SPP's) for 2008-09.</p> <p>For example, the Commonwealth is changing the way in which the existing National Action Plan for Salinity and Water Quality (NAP) and the Natural Heritage Trust (NHT) programs are run. In previous years, the Commonwealth has provided SPP funding under the NAP/NHT to match the State's contribution.</p> <p>The department understands that up to 40 per cent of the Commonwealth's total contribution to States and Territories may potentially now be held centrally by the Commonwealth, with jurisdictions to 'bid' for a proportion of this funding.</p>
Department of Treasury and Finance	<p>The department will continue to be significantly involved in the Council of Australian Governments (COAG) reform process through 2008-09. The department participates in all COAG working groups, as well as its continuing support for the Treasurer in his participation in the Ministerial Council. The department is allocating sufficient resources to meet this requirement.</p>

Source: Departmental responses to the Committee's 2008-09 Budget Estimates questionnaire (question 1.3)

3.3 How have productivity improvement and National Reform Agenda initiatives been addressed in framing departmental budgets for 2008-09?

The Committee obtained a range of responses from departments to this line of inquiry. Some of the more informative comments received are set out below.

Parliamentary Departments

Productivity requirements on current enterprise bargaining agreements are in line with the government's wages policy where a productivity improvement of 0.5 per cent is required. With the electorate officers' agreement and the parliamentary officers' agreement due for renegotiation in the next 18 months, this will place significant stress on the financial resources of the Parliament.⁶⁸

Department of Education and Early Childhood Development

All new Budget initiatives, including capital funding, contribute to improved educational outcomes driving productivity improvements and economic growth as well as individual benefits such as social participation.

More recently, establishment of the new Department of Education and Early Childhood Development signalled a new approach to the role of the government in human capital development from birth to adulthood. The new department has a key role to play in the provision of:

- quality early childhood education and care;
- effective and innovative school education; and
- flexible pathways to work and/or further study.

Consistent with the government's efficiency objectives, the department has also implemented operating efficiencies and is committed to reducing the regulatory burden on schools and children's services.

In terms of National Reform Agenda initiatives, the department has worked closely with the Department of Premier and Cabinet and the Department of Treasury and Finance to develop Victoria's Plan to Improve Literacy and Numeracy Outcomes and contribute to the development of multilateral reforms for the agreement and implementation by all jurisdictions.⁶⁹

⁶⁸ Parliamentary Departments, response to the Committee's 2008-09 Budget Estimates questionnaire, received 13 May 2008, p.6

⁶⁹ Department of Education and Early Childhood Development, response to the Committee's 2008-09 Budget Estimates questionnaire, received 13 May 2008, p.14

Department of Human Services

Rises in interest rates and inflation carry a high potential to create social stress and hardship in the community through increased prices in the basic staples of life, mortgage stress, unemployment and homelessness. In a climate of rising interest rates and inflation and uncertainty in economic forecasts and stability, the department's budget initiatives for 2008-09 have been developed with regard to the risks of such an environment, especially in areas such as homelessness and social housing, and the increasing costs of out of home childcare. The department's budget initiatives also reflect the need for a skilled and expanded health workforce and accessible tertiary and preventative services and support the human capital element of the National Reform Agenda (NRA), which is founded on the evidence that a healthy and skilled population secures a strong economy, through increased workforce participation and productivity. The department's budget initiatives seek to provide all Victorians with the opportunity to enjoy full and active participation in our economy and society.⁷⁰

Department of Infrastructure (DoI)

The savings and efficiencies targets required of the department will be achieved, in part, through productivity improvements in areas such as information technology.

Most of the transport infrastructure aspects of the NRA fall under the competition stream, where COAG agreed to:

- ask the Productivity Commission to develop proposals for efficient pricing of road and rail infrastructure. The department contributed to Victoria's submission to this inquiry;
- harmonise and reform rail and road regulation within five years. The department has taken a strong role in leading inter-jurisdictional work in this area;
- strengthen transport planning and project appraisal processes by adopting the Australian Transport Council-endorsed national guidelines for evaluating road and rail infrastructure projects. The department has prepared revised project appraisal guidelines that are consistent with the national guidelines; and
- reduce current and projected urban transport congestion. In September 2006, the Victorian Competition and Efficiency Commission released its report on managing transport congestion, and the Victorian Government issued its response in March 2007. Victoria participated strongly in the national review of urban congestion that COAG released in April 2007, and the Premier convened a congestion workshop in January 2008.

The NRA also required each State to prepare the first of a series of five-yearly infrastructure reports to COAG by early 2007, and DoI coordinated the preparation of Victoria's report.⁷¹

Department of Innovation, Industry and Regional Development

Where appropriate, the department considers productivity improvement particularly during the development of new initiatives. Most departmental initiatives or programs also seek to address productivity improvement; for instance, through developing skills and promoting innovation among firms.

⁷⁰ Department of Human Services, response to the Committee's 2008-09 Budget Estimates questionnaire, received 13 May 2008, p.15

⁷¹ Department of Infrastructure, response to the Committee's 2008-09 Budget Estimates questionnaire, received 9 May 2008, p.12

The department is involved in three areas related to the NRA. These are as follows:

Business Licensing

The department has led work to identify areas on which a review of business licensing, in which case there has been marginal impact on the department's 2008-09 Budget.

ABN/Business Names

The World Class Service project is involved in the Small Business Ministerial Council ABN/Business Names project. This also has minimal effect on the 2008-2009 departmental budget.

Apprenticeships, Training and Skills Recognition

The Commonwealth committed \$2.7 million (excluding GST) over 3 years to improve skills recognition in Victoria, subject to matched Victorian funding. Victoria matched this funding through its \$23 million Skills Stores initiative announced in the 2006-2007 Victorian Budget. This has seen 12 Skills Stores throughout Victoria during 2007 and 2008. The 13th will be open in Central Melbourne in July 2008. The Budget allocation for 2008-2009 is \$7.6 million, which will predominately be used to facilitate the uptake of Recognition of Prior Learning.⁷²

Department of Justice

Economic factors are taken into account by the Department of Treasury and Finance (DTF) assessment of the business cases that are presented for review to the Expenditure Review Committee (ERC) for funding approval.

Productivity improvements and initiatives have arisen in 2006-07 and 2007-08 in reviewing the outputs and capabilities of the Supreme, County and Magistrates' Courts. These reviews are expected to modernise Courts' administration; reduce Court delays; improve access to Justice services and deliver better community outcomes.

In framing the 2008-09 Budget, the Departmental Funding Model (DFM) takes into consideration economic factors such as interest rates, inflation and productivity improvements. When departments (or DTF) believe that economic or other cost pressures cannot be met within the DFM, an Output Price Review may be requested. The recommendations from the Output Price Review are presented to ERC for approval.

The **National Reform Agenda** calls for a reduction in the regulatory burden through greater national consistency in regulation, regulatory review, and increased regulatory efficiency and transparency.

In the context of **gambling regulation**, streamlining of the gambling regulatory framework has continued through bills that have been subsequently passed in Parliament. In line with government policy, all new gambling regulations and legislation have to comply with the Regulatory Impact Statement (RIS) and Business Impact Assessment (BIA) processes applicable to all Victorian legislation.

The Department of Justice has completed a review and restructure of licensing arrangements for public lotteries and is currently reviewing the licensing arrangements for electronic gaming machines, club keno, and wagering. These reviews focus particularly on the licensing structure and associated regulatory arrangements. Opportunities to reduce the regulatory burden and compliance costs are considered as part of the review process.

In addition, the department is currently undertaking a review of the regulatory burden on bingo, and reviewing the regulation of gaming venue employees.

⁷² Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Budget Estimates questionnaire, received 9 May 2008, pp.15-16

In the context of **consumer affairs**, a number of regulatory reforms are being pursued by COAG in conjunction with the Ministerial Council on Consumer Affairs (MCCA). Consumer Affairs Victoria is committed to the focus on regulatory reform and the broader productivity agenda through work on the following initiatives:

Reducing the Regulatory Burden – an initiative committing the Victorian Government to measuring the administrative burden of regulations, developing a targeted range of initiatives to reduce burden, and monitoring progress towards achieving targeted reductions.

Occupational Licensing Review – a priority review aimed at reducing administrative burden through the implementation of an IT system to support the licence application process for businesses in six occupational licence categories. It is expected that on-line forms to facilitate license applications will be developed and rolled out by 2008.

Better Business Regulation – a good practice tool kit for regulators. It provides a self assessment for regulators to examine existing practices against a comprehensive set of activities representing good regulatory practice.

National Trade Measurement – an initiative to ensure continuity of service and existing service standards until the trade measurement function is transferred to the Commonwealth in 2010. In 2008-09, Consumer Affairs Victoria (CAV) will also fund an independent audit/valuation of the trade measurement assets.

National Product Safety Regime – participation in agreement of a national consumer product safety regulatory scheme and continued leadership of a project to harmonise existing bans and mandatory standards across the states and territories.

Personal Properties Security – watching brief on the establishment of a single national system for the registration and regulation of security interests in personal property to commence operation in 2009.

Business Names Registrations – participation in the development of new systems and technologies leveraging off our highly developed business names system, which includes application of an automated names test and online transactions. CAV is also participating in a national project looking at improvements to Business Name registrations for businesses.

Consumer Policy Framework – input into enhanced national approaches to improve the consumer policy framework, including legislative and regulatory structures, following the finalisation of the Productivity Commission Review of Australia's Consumer Policy Framework. Consumer Affairs Victoria was the lead agency for the preparation of the Victoria Government's submission in response to the Productivity Commission Report.

Other Initiatives – CAV will also provide input into developing an effective and efficient national approach to consumer protection regulation for mortgage credit and advice; margin lending; and non-deposit taking institutions.⁷³

⁷³ Department of Justice, response to the Committee's 2008-09 Budget Estimates questionnaire, received 8 May 2008, pp.22-23

In terms of the **Police and Emergency Services** portfolio, the Committee was interested in obtaining information from the Minister at the 2008-09 Budget estimates hearing about the Enterprise Bargaining Agreement between force command and the Police Association and learning how inherent flexibilities would enable police to reduce crime figures and increase productivity. An extract from the transcript of the hearing is set below:

“In relation to the EBA the chief commissioner was very, very keen to bring about greater flexibility within the force as part of the EBA, which was ultimately agreed to. The chief commissioner and the police union also agreed that during the four year EBA period, within the current and committed resources for the coming period, there would be a reduction in crime by 10 per cent. So obviously flexibility is part of the tools which the chief commissioner can now use to bring about that reduction.

In terms of the flexibilities and why you would have the flexibilities, it is what the chief said at the time. It is about having the right people at the right place at the right time to make sure you have got, like on Friday and Saturday nights you have got more people at that particular time given that that is obviously a higher activity time, to make sure you have got more people out on the beat during that time.⁷⁴

... Any reduction in crime in this state is a productivity gain in the broad sense and a great saving in funds within our community when crime is reduced ...

Some of the flexibility was a capacity for our members to cash in part of their leave, which is in a sense accrued time off. Perhaps I can explain accrued time off. We work a 40 hour week, and people can take 38 hours; they are only required to work 38 hours, so that adds up to two weeks. We are at this stage asking our members who want to sell that leave back to us, and that is certainly occurring now; members are doing that. What that allows us to do is we have planned a significant number of operations, principally on Thursday, Friday and Saturday nights for our busy time, but some other occasions, where we will use the additional capacity available. We also can bring back members of Victoria Police who left us. I recently hosted a dinner for retired members, and a number of them made them the point — very experienced members — that they would like to come back and work in busy times for Victoria Police. So this enterprise bargain allows us to do that.

It also is a new career structure, which allows us to retain the knowledge and skill of our members and to reward them for the job they do and for the skill they apply in doing that particular job. It has salary sacrifice options, which is an issue for the members as well. That had been denied this previously. It allows us to also build on a campaign we have had to look at our rostering structures, to be able to work with our members to make sure that we do have the right numbers of members on at the right time ... And we are also paying for what is called ‘unsociable hours’ as part of this flexibility, because we know police officers who are going to have work Thursday, Friday and Saturday need to be given appropriate rewards for that, and that is what this enterprise bargain does as well.”⁷⁵

⁷⁴ Hon. R Cameron MP, Minister for Police and Emergency Services, 2008-09 Budget Estimates hearing, transcript of evidence, 15 May 2008, p.12

⁷⁵ C Nixon, Chief Commissioner, Victoria Police, 2008-09 Budget Estimates hearing, transcript of evidence, 15 May 2008, pp.12-13

Department of Planning and Community Development

The department has established a three year administrative burden reduction plan to streamline regulatory administrative processes for business and the not-for-profit sector. In framing the 2008-09 Budget, these regulatory reform initiatives have been reviewed in this context.⁷⁶

Department of Primary Industries

With regard to productivity improvement, the department addresses this by allocating efficiency savings targets, as set out under the Efficient Government policy initiative, across the department.⁷⁷

At the 2008-09 Budget estimates hearing, the Committee heard about various strategies designed to improve productivity. Various comments about the **Future Farming Strategy** are discussed below.

“Research and development

*If we look at the demand for protein across the globe, the demand for food, we certainly see some very significant developments and we see some relatively healthy prices are being achieved for the commodities that our farmers grow, so there is an opportunity. If we look at the opportunities that are inherent in improving productivity to research development and through science, the abilities to improve productivity, they are tremendous opportunities. All of those are encompassed in the Future Farming statement to meet the challenges and of course to exploit the opportunities.*⁷⁸

Skills base for agriculture and regional and rural communities and attracting sufficient labour

*The budget brought to bear, not through my department but through other departments, considerable investment in improving the ability to build the skills base for agriculture and for regional and rural communities through capital initiatives and through program initiatives, something I enormously welcome and something that the Future Farming statement foreshadowed. An important part in terms of any industry be it agriculture, manufacturing, whatever the sector may be, in terms of attracting sufficient labour and sufficient skills is the public perception of a particular industry. The perception that many people in agriculture have about themselves and about their own sector is one that is going to be increasingly echoed by this government and is indeed echoed through Future Farming, which is that it is an exciting, innovative, forward looking and forward moving, highly skilled industry as we look to the future. If we paint that picture and if we project the industry in that light we make it attractive for young people to move to.*⁷⁹

⁷⁶ Department of Planning and Community Development, response to the Committee’s 2008-09 Budget Estimates questionnaire, received 14 May 2008, p.26

⁷⁷ Department of Primary Industries, response to the Committee’s 2008-09 Budget Estimates questionnaire, received 15 May 2008, p.11

⁷⁸ Mr J.Helper MP, Minister for Agriculture, 2008-09 Budget Estimates hearing, transcript of evidence, 16 May 2008, p.9

⁷⁹ *ibid.*

Precision agriculture

I was blown away when I had the opportunity to observe some of the trials that are occurring on precision agriculture when I visited field days held by Southern Farming Systems down in the south west. The ability to sow, to fertilise — Satellite technology is roughly good enough for 10 to 20 metre accuracy. We are talking about accuracy that comes down to 2 centimetres. It is done through enhancing the satellite technology as well as the interpretation of it, as well as having ground based infrastructure.

... The opportunities for agriculture as we drive productivity — and let us define productivity: it is doing more with less inputs. For example, if you do not have to fertilise a broad area of soil for the same outcome, if you can narrow it down to put it in the root zone of the crop that you are planting, you can make significant savings. There are environmental benefits with nutrient run off, et cetera. There are obviously cost benefits to the specific farmer, and through that productivity improvements for agriculture. I reckon it is an absolutely exciting technology and a fantastic way forward.

... We are expecting that 560 odd farmers will take up this capability within three years, or 10 per cent of the 5,600 farmers for whom the network, if you want to call it that, will be available. Uptake of new technology and practice change in agriculture takes an exponential curve. The first farmer to adopt is the very courageous one. The second one is still courageous, but then it comes to a point of being commonly and quite quickly adopted right across the sector. That is clearly what is intended with this particular technology and the government's support through the Future Farming statement and the commitment of resources to it.

Expected benefits: a gross economic benefit of \$36 million annually for precision farming in Victoria's cropping district alone. That is a significant productivity boost that comes out of this technology."⁸⁰

Department of Sustainability and Environment

Economic projections for Victoria are prepared by the Department of Treasury and Finance, and can be found in the annual Budget Papers (BP2). As a result, the impacts of interest rates, inflation and productivity improvements are addressed through the Departmental Funding Model (DFM), which is also managed by the Department of Treasury and Finance.

In relation to NRA initiatives, the area which primarily impacts the department is Climate Change.

In February 2006, COAG agreed to adopt a new national Climate Change Plan of Action and to establish a high-level inter-jurisdictional Climate Change Group to oversee implementation of the Plan's recommendations. COAG released a National Adaptation Framework in April 2007.

⁸⁰ Mr J Helper MP, Minister for Agriculture, 2008-09 Budget Estimates hearing, transcript of evidence, 16 May 2008, p.16

The department has a number of climate change programs which align with the COAG framework, and which will continue under the 2008-09 Budget. These projects and programs include:

- the *Our Water Our Future: The Next Stage of the Government's Water Plan (Victoria's Water Plan)* that includes the construction of the Wonthaggi desalination plant will source additional water for Victoria, commencing operations in 2011;
- the *Land and Biodiversity at a Time of Climate Change* Green Paper - the second stage in the development of a White Paper which will set the direction for future government policy and priorities in this area; and
- the *Future Coasts: Preparing Victoria's Coast for Climate Change* project, which will assist the Government to obtain an accurate understanding of the risks climate change presents to Victoria's coastline.⁸¹

Department of Treasury and Finance

The Department of Treasury and Finance has undertaken an Output restructure in two divisions to allow for:

- greater flexibility and productivity improvement within the department; and
- the Economic and Financial Policy output to focus on better outcomes for Victoria from the National Reform Agenda/COAG developments.⁸²

3.4 COAG deliberations – 3 July 2008

The Committee noted at the most recent COAG meeting held on 3 July 2008, leaders reaffirmed their commitment to the goals of the COAG Reform Agenda to address the challenges of boosting productivity, increasing workforce participation and mobility and delivering better services for the community. The reform agenda is to contribute to the broader goals of social inclusion, closing the gap on Indigenous disadvantage and environmental sustainability. At the meeting, COAG welcomed the substantial progress on the broad reform agenda across business regulation and competition, health and ageing, early childhood, education and training, housing, Indigenous reform, infrastructure, climate change and water and the new financial relations framework.⁸³ The Committee noted a wide range of specific references to the concept of boosting productivity which are set out below:

- COAG acknowledged that Australia's overlapping and inconsistent regulations impede **productivity** growth. Without change Australia's future living standards would be compromised, the competitiveness of the economy reduced and our ability to meet the challenges posed by an ageing population diminished;⁸⁴
- the Productivity Commission has estimated that the development of consumer policy framework reforms could provide a net gain to the community of between \$1.5 billion and \$4.5 billion a year, through more effective consumer laws and better enforcement, and **increasing productivity** and innovation, through reducing compliance costs for business and increasing consumer confidence;⁸⁵

⁸¹ Department of Sustainability and Environment, response to the Committee's 2008-09 Budget Estimates questionnaire, received 20 May 2008, p.10

⁸² Department of Treasury and Finance, response to the Committee's 2008-09 Budget Estimates questionnaire, received 9 May 2008, p.13

⁸³ Council of Australian Governments, Communiqué, 3 July 2008, p.1

⁸⁴ *ibid.*

⁸⁵ *ibid.* p.3

- COAG noted the preliminary Statements of Objectives, Outcomes, Outputs and Performance Measures for the new funding agreements prepared by the Health and Ageing, **Productivity Agenda**, Housing and Indigenous Reform Working Groups and the Community and Disability Services Ministers' Conference;⁸⁶
- COAG has an ambitious health and ageing reform agenda proposed for implementation from 2009. This includes a substantial program of hospital reform, improvements to Indigenous health, chronic disease management and preventative health care. When fully implemented, reforms will improve the health outcomes for all Australians, contributing to **increased productivity**;⁸⁷
- COAG welcomed the significant progress of the **Productivity Agenda Working Group** in developing Statements of Objectives, Outcomes, Outputs and Performance Measures in the key areas of early childhood development, schooling and skills and workforce development. This effort is critical to ensuring that all Australians have access to the quality education, training and support they need to be equipped for a life of success in learning and employment;⁸⁸ and
- in terms of the allocation of up to 50,000 additional vocational education and training places over three years for national priority health occupations under the **Productivity Places Program**, COAG agreed that all governments would immediately roll-out the first 4,500 places of the 50,000 to be allocated to the priority health occupations, with detailed arrangements to be agreed between jurisdictions by 31 July 2008. In the light of the urgent need for these training places in the health sector, the Commonwealth agreed to fund fully the government contributions to the costs of this training during the period to 31 December 2008, with this additional funding contribution to be recognised in the financial arrangements for the new agreement from 1 January 2009.⁸⁹

3.5 Accountability regime for productivity growth

The Committee noted that the Victorian government has acknowledged in the 2008-09 Budget papers dealing with the 'Economic Reform Agenda' that Victoria faces a number of challenges to economic prosperity, including an ageing population, slowing productivity growth, changing global fortunes and environmental issues. These challenges highlight the importance of getting the most from Victoria's potential sources of growth – especially productivity growth and workforce participation – by continuing an active program of Victorian and national reform.⁹⁰ According to the government, Victorian gross state product is forecast to grow by 3.25 per cent in 2007-08 and by 3 per cent in 2008-09. Growth will be supported by solid, albeit slower, growth in household consumption, dwelling investment and business investment as well as continued recovery in the farm sector (assuming a return to average seasonal conditions).⁹¹

Victoria's reform program is designed to foster economic growth by:

- improving workforce participation and productivity by improving people's skills;
- investing in preventative health measures to provide for a healthy workforce;
- improving business competitiveness; and
- continuing to improve the quality and timely provision of infrastructure.

⁸⁶ Council of Australian Governments, Communiqué, 3 July 2008, p.4

⁸⁷ *ibid.* p.5

⁸⁸ *ibid.*

⁸⁹ *ibid.* p.6

⁹⁰ Budget Paper No.2, Strategy and Outlook, 2008-09, p.75

⁹¹ *ibid.* pp.21-23

Policies are also aimed at meeting challenges to economic growth by:

- responding to climate change; and
- ensuring water security.⁹²

In terms of improving business competitiveness, the target to cut the administrative burden by 15 per cent by July 2009 translates to a net reduction equivalent to business and not-for-profit organisations of \$154 million a year by that date. The government has foreshadowed that provisional estimates indicate that Victoria is on track to meet the July 2009 target and that a detailed update on further prospective reductions as a result of changes implemented during 2007-08 will be released later in the year.⁹³ In comparison to this target, the budget papers disclose that provisional estimates indicate a net decrease in the administrative burden of \$29.6 million per annum has been achieved since July 2006.⁹⁴ Given the quantum leap that will be required for the government's target to be achieved, the Committee recommended in its *Report on the 2006-07 Financial and Performance Outcomes* that the Department of Treasury and Finance will need to closely monitor the level of accelerated outcomes derived from the future implementation of the government's Reducing the Regulatory Burden initiative by requesting agencies to furnish statements on yearly savings generated from the initiative.⁹⁵

With regard to efficiency initiatives, the budget requires that general efficiencies amounting to \$125 million are expected to be generated in 2008-09 and over each of the following three years to 2011-12 as part of the forward estimates. Departments are to achieve general efficiencies in administration from 2008-09 onwards.⁹⁶

The Committee also noted that in terms of the *Thriving Economy* vision under the *Growing Victoria Together* (GVT) initiative, the government disclosed a (GVT) progress report on the following information in the budget papers against the measure 'Victoria's productivity and competitiveness will increase':⁹⁷

- gross state product (GSP) per employed person;
- GSP per hour worked; and
- extent and quality of business regulation.

The government maintains that real GSP per hour worked, which provides a measure of the income created by each hour that Victorians work, gives a more accurate picture of Victoria's productivity, as it accounts for the effects of changes in the hours of work for part-time and casual employees. Victoria recorded real GSP of \$56.60 per hour worked in 2006-07, up 2.0 per cent from 2005-06 and 10.9 per cent from 1999-2000. This is in line with the national average real GSP per hour worked of \$56.80 in 2006-07 (up 1.8 from 2005-06 and 12.6 per cent from 1999-2000).⁹⁸

The Committee observed, however, that there is a lack of publicly disclosed information in Victoria to demonstrate the linkages between economic reforms, outcomes derived in terms of increasing productivity and improving economic growth and prosperity of the state. The impact of economic factors, including productivity improvements, on budget formulation is also not clearly discernible.

⁹² Budget Paper No.2, Strategy and Outlook, 2008-09, p.76

⁹³ *ibid* p.77

⁹⁴ Budget Paper No.3, Service Delivery, 2008-09, p.370

⁹⁵ Public Accounts and Estimates Committee, Report on the 2006-07 Financial and Performance Outcomes, May 2008, pp.148-149

⁹⁶ Budget Paper No.3, Service Delivery, 2008-09, p.358

⁹⁷ *ibid*. pp.368-370

⁹⁸ *ibid*. pp.369-370

