



T H E M C K E L L I N S T I T U T E

Submission to the Governance, Energy and Finance Committee

QUEENSLAND PRODUCTIVITY COMMISSION BILL 2024

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ABOUT THE MCKELL INSTITUTE

The McKell Institute is an independent, not-for-profit research organisation dedicated to advancing practical policy solutions to contemporary issues.

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ACKNOWLEDGEMENT OF COUNTRY

This submission was written on the lands of the Qandamooka and the Jagera, Yuggera, and Ugarapul Nations. The McKell Institute acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas.

ABOUT THE AUTHORS

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Sarah is the Executive Director Queensland of the McKell Institute. Sarah has dedicated her working life to promoting an equal and inclusive society that includes fairness at work by making a tangible difference and creating change in the lives of Australians. Sarah's career history includes a combined 15 years' experience working within the Australian Labor Party, the Transport Workers Union and the Queensland Government.

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INTRODUCTION

The McKell Institute acknowledges the opportunity to provide input on the Queensland Productivity Commission Bill 2024.

This submission aims to address key aspects of the proposed legislation and offer suggestions to enhance its impact on productivity and economic growth in Queensland.

HISTORY OF THE AUSTRALIAN PRODUCTIVITY COMMISSION

As a nation, Australia has undertaken a significant journey in terms of its public debate around, and understanding of, issues related to productivity.

The early nation, as is well established, was protectionist with significant restrictions on imports, labour (under the racist notion of "Australia for the white man") and a reliance primarily on British and later American capital.

The Productivity Commission's first iteration was the Tariff Board established in 1921 to advise government on the appropriate level of tariffs for the protection of particular industries and goods.

In 1973, as the Whitlam Government began to dismantle Australia's protectionist regime, the Tariff Board was replaced by the Industries Assistance Commission (IAC) which provided advice to government on which industries would require particular structural assistance as tariffs were wound back and the country was opened up to global trade.

The IAC evolved into the Industry Commission in 1989 during the great reform era, absorbing microeconomic reform functions from other government agencies and providing advice to government on trade, labour market and other reforms.

Notably, while the then Industry Commission and its predecessors were active participants in Australia's economic debate through the reform era of the 1980s and 1990s, many of the most significant reforms of the period including the abolition of the White Australia Policy (removing labour market restrictions), the floating of the dollar, the establishment of enterprise bargaining and the advent of compulsory superannuation (creating a supply of patient domestic capital) were initiatives of reformist governments, not the result of independent external advice on economic reform.

The Productivity Commission (PC) was established by the Howard Government in 1998, bringing together the functions of the Industry Commission, the influential Economic Planning Advisory Commission and the Bureau of Industry Economics.



The most recent reform to the PC took place in November 2023, when Commonwealth Treasurer Jim Chalmers, in consultation with incoming Chair Danielle Wood, introduced the first Statement of Expectations for the PC,¹ requiring it to consider *'the major forces impacting Australia; diversify its skills base, data capability and analytical frameworks; and improve its communication, external engagement, culture and governance arrangements.'* Specifically that included –

- technological and digital transformation
- climate change and the net zero transformation
- population ageing
- rising demand for care and support services
- global shifts such as geopolitical risk and fragmentation

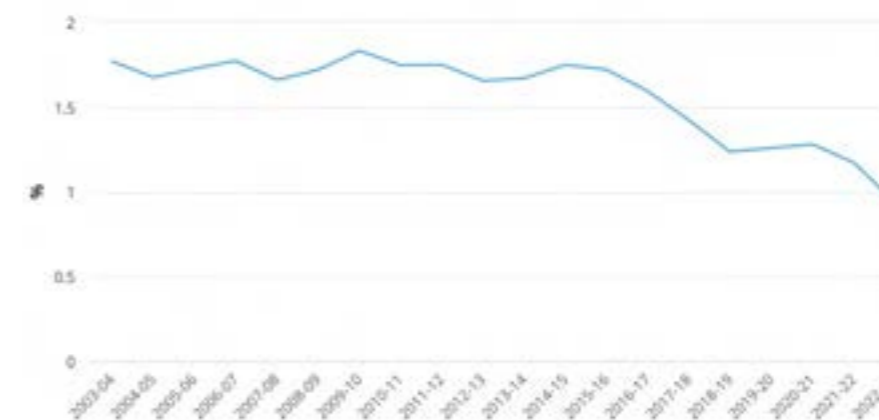


PRODUCTIVITY GROWTH IN AUSTRALIA IS STALLED

The government made clear in its Statement of Expectations that it did not expect the long decline in productivity growth in Australia would be easily reversed.

In 2022-23, the 20 year average annual growth rate for productivity in Australia was 0.9%, having fallen from 1.8% in 2003-4 and 1.2% in 2021/22. The below table from the Australian Bureau of Statistics demonstrates that trend –

Australian Bureau of Statistics Labour Productivity Growth 2003-2023²



While comprehensive data is less freely available, it is to be expected that productivity in Queensland has followed a similar trajectory.

The declining rate of productivity growth is sometimes cited as a reason for the recent fall in Australians' standard of living, though a more thorough evaluation of the data reveals that real wages and standard of living grew from the early 2000s onwards with the more recent decline resulting from inflation outstripping wage growth since the pandemic.

HISTORY OF THE QUEENSLAND PRODUCTIVITY COMMISSION

While Australia has a long established practice of receiving independent economic reform advice, no such institution existed in Queensland until the former government established the Queensland Productivity Commission (QPC) in 2015 as an independent statutory body.

Its primary role was to provide policy advice to the Queensland Government on matters related to increasing productivity, driving economic growth and improving living standards in Queensland³.

² <https://www.abs.gov.au/statistics/measuring-what-matters/measuring-what-matters-themes-and-indicators/prosperous/productivity> - text: In 2022-23, the 20.18%25 in 2003-04.

³ Final Annual Report of the Queensland Productivity Commission, https://s3.treasury.qld.gov.au/files/QPC-Annual-report-2020-21_FOR-PUBLICATION-9.pdf.

¹ <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/refocusing-and-renewing-productivity-commission>

Over its relatively short tenure, the former Queensland Productivity Commission undertook extensive reviews into topics including the effectiveness of rehabilitation functions of the Queensland criminal justice system, electricity pricing, the operation of the NDIS market in Queensland and opportunities for Queensland's manufacturing sector.

While its inquiries were comprehensive, the productivity of the Commission itself was called into question with then Shadow Treasurer David Janetzki in 2021 suggesting the Commission was "sitting idle in our (COVID related) hour of need."⁴

In 2021, the former Queensland Productivity Commission was absorbed into Queensland Treasury with the creation of the Office of Productivity and Red Tape Reduction as part of the former Government's Savings and Debt plan.



WHAT IS THE PROBLEM WE ARE TRYING TO SOLVE?

The Purpose of the Commission

The Queensland Productivity Commission Bill (2024) currently before the House proposes to establish the new QPC as an independent statutory authority (again) overseen by a four person board, one of whom is to be the Productivity Commissioner.

The main functions of the commission are—

- (a) to **undertake inquiries** into economic and social issues, regulatory matters or legislation as directed by the Minister; and
- (b) to **undertake research** into economic and social issues, regulatory matters or legislation as directed or approved by the Minister, or on its own initiative; and
- (c) to **administer, monitor and review** regulatory matters as directed by the Minister; and
- (d) to **provide advice** to the Minister as requested.

These proposed functions are simple and broad ranging. Notably, they do not appear to include the provision of advice on appropriate design and implementation of regulation to government agencies, as was part of the role of the former Productivity Commission. The McKell Institute does not have a strong view on whether this work is better undertaken by an independent PC or by Treasury (or a Finance Department should one be established in the future). We do, however, note that this is important work which makes a real difference to the quality of regulation and to the character of business' and citizens' dealings with government. Good regulation should be a priority of a central agency. At a Commonwealth level, this function is undertaken by the Office of Impact Analysis within the Department of Prime Minister and Cabinet.

While the proposed functions are broad ranging, they do not give any indication of the type of work which the QPC may undertake either at its own instigation or by direction of the Treasurer. This omission is notable given the recent release of a Statement of Expectations by the Commonwealth Treasurer to the national PC. For a new government which may seek to claim some mandate for economic reform, the absence of any clear indication of direction seems notable.

The real question facing the Parliament is not *should there be a Queensland Productivity Commission?* (what harm beyond some occasionally uncomfortable advice to government can there be anyway?) but *what direction do we envisage the QPC heading in?*

This question will be determined by who is appointed as the Commissioner, whether or not the government chooses to develop a specific Charter or Statement of Expectations beyond the broad ranging legislative mandate, and what research directions the government should give to the Commission under Division 2 of the legislation above.

⁴ <https://www.couriermail.com.au/news/queensland/queensland-government/qld-productivity-commission-sits-idle-amid-coronavirus-crisis/news-story/cbf6cfc68a3215004d27ded238ba8780>

If we accept that productivity growth has stalled (as set out above), that Australia and Queensland are competitive open economies and that the world has shown increasing volatility in recent years, the big question defining the overall work of the Commission is **what will drive the next generation of growth in Queensland?**

The answer to that question is unlikely to be found in the minor tinkering of liquor licensing, trading hours reviews and labour market changes which such Commissions are sometimes wont to embark upon. Rather, the big questions facing Queensland are –

- Would Queensland benefit from a strategic program of investment in emerging industries in order to create economic resilience through greater diversification?
- Should the Queensland Government improve efficiency and quality of customer service provision through the establishment of a centralised digital service delivery function along the lines of Service New South Wales?
- Are we delivering on the promise of a meritocracy in which all people can contribute fully to the future economy regardless of the circumstances of their birth (noting the highly stratified nature of our education system and recent NAPLAN results)?
- Does Queensland maximise the opportunities for economic growth and diversification emerging from its thriving research intensive universities?
- What is the trade and investment strategy which should be adopted to ensure Queensland maximises the economic opportunity of the Brisbane 2032 Olympic and Paralympic Games?
- Is Queensland's colonial era tax system fit for purpose in the 21st century? (noting Queensland has never undertaken a comprehensive Henry style review of the state taxation framework)
- Is the current system of car dependence the most economically efficient transport solution for South East Queensland or the regions?
- Are regional subsidies like the universal tariff on electricity appropriate in light of technological improvements which improve the affordability of standalone energy generation?
- How will the State achieve the legislated 75% emissions reduction target at lowest possible cost? (noting the abolition of the Energy Department and abandonment of key elements of the former Queensland Energy and Jobs Plan in recent machinery of government changes)
- What are the implications of Queensland's generational gap in wealth and what policies in areas like housing and taxation and government discounts (like seniors discounts) should be considered to ensure young, working Queenslanders are in a position to become economically secure?

It is the view of the McKell Institute that for a Queensland Productivity Commission to be worthwhile, it should seek not just to de-regulate (noting that the 1990s agenda of National Competition Policy and deregulation has been comprehensively applied in Australia) but should instead take an expansive and internationalist approach to future economic growth opportunities for Queensland.



RELEVANT MCKELL INSTITUTE RESEARCH

As Australia's pre-eminent progressive think tank, the McKell Institute has undertaken significant economic policy research relevant to these major challenges.

*Australia at a Crossroads, a brief overview of the current options for economic reform*⁵ (2020) set out the major options for economic reform in place at the time of the pandemic.

*Mapping Opportunity: a national index on wages and income*⁶ set out income disparities in Australia, revealing that Queensland held significant regions of economic disadvantage and that Australia fared poorly in terms of economic (or class) mobility compared to a number of comparable OECD nations.

A number of reports including *Switching Gears* (2016)⁷ have set out the case for reform of housing policy and pre-empted the housing affordability crisis now confronting the nation.

Riding the Revolution (2021)⁸ drew on Queensland Department of Transport and Main Roads economic analysis and international case studies to set out the economic case for active transport in South East Queensland.

State of the Economy:

A role for the Productivity Commission in providing data to support a more informed economic debate

In addition to the specific inquiry based approach envisaged in the legislation, the McKell Institute envisages a role for the PC in publishing regular annual or bi-annual reports bringing together the key measures of the health, equity and growth prospects of the Queensland economy.

While it is well understood that Queensland has a highly regionalised economy with a strong reliance on services and mining, there is little understanding in the broader populace about the ways in which the economy is changing over time, and there is little political debate about what kind of economy we want to see in the future.

A regular PC report could draw on Australian Bureau of Statistics data to provide a compendium covering –

- Economic growth, inflation and productivity
- Economic diversification and sophistication
- Equity (in terms of wealth and income) across regions and generations
- Measures of economic mobility

Such a report would provide baseline, consistent data to guide a more informed conversation about the changing nature and future prospects of the Queensland economy.

⁵ <https://mckellinstitute.org.au/research/articles/australia-at-a-crossroads-a-brief-overview-of-the-current-options-for-economic-reform/>

⁶ <https://mckellinstitute.org.au/research/reports/mapping-opportunity/>

⁷ <https://mckellinstitute.org.au/research/reports/switching-gears/>

⁸ <https://mckellinstitute.org.au/research/reports/riding-the-revolution/>

CONCLUSION

The Crisafulli Government received a clear mandate from the people of Queensland on October 26. Included within this mandate is the commitment to reestablish a Productivity Commission to drive the Queensland economy into the future.

Establishing the right foundations from the outset is essential for the QPC to effectively drive the success of Queensland's economy.

Over the next decade, Queensland is well positioned to experience transformative growth driven by advancements in renewable energy, population expansion, and investments in infrastructure as we build in to the 2032 Olympics and beyond.

A renewed Queensland Productivity Commission, with a clear and ambitious Charter from Government, could help drive this growth and productivity.

In summary, we recommend –

1. That government should ensure an appropriate central agency is working closely with line agencies on best practice regulatory policy design and implementation
2. That government should consider a specific Charter or Statement of Expectations to guide the work of the new Productivity Commission
3. That the Commission should take an expansive and global view of its work, focusing not just on small matters of deregulation but on economic diversification, the adequacy of the education system and new economic opportunities for the State
4. That the Commission should publish a regular *State of the Queensland Economy* report to provide reliable and consistent data on economic growth, diversification, sophistication, regional nature and equity (or inequity) of the state economy, as a means of contributing to a more informed policy debate





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