

Output 1.1 – Economic and Industry Policy

Output 1.1 Economic and Industry Policy	Performance indicators
<p>Advice and support to the Prime Minister and assistance in coordination of government policies on economic, industry, infrastructure and environment issues, including for presentation of the Government’s decisions in these areas.</p> <p>Manage and coordinate the work programme of the Council of Australian Governments.</p>	<p>Quality: The degree of satisfaction of the Prime Minister, the Prime Minister’s Office and the departmental Executive, as expressed through formal and informal feedback mechanisms, with the quality and timeliness of advice and the achievement of key tasks.</p> <p>Annual evaluation of Budget preparation and coordination process and ad hoc internal evaluation of major policy advising activities.</p> <p>Cost of Outputs – \$8.4m</p>

Qualitative assessment

Methodology

During 2001–02, the Prime Minister, the Prime Minister’s Office, the Secretary and the departmental Executive provided regular feedback on Output 1.1. Formal individual performance reviews in the context of the department’s performance appraisal framework provided further feedback. Feedback was also provided through regular meetings, formal discussions with the Prime Minister’s Office and contact with the Secretary and the departmental Executive.

Feedback on Economic Division’s role in assisting good budget processes was also provided in the context of internal and joint central agency evaluations of the 2001–02 Budget processes.

Feedback

Output 1.1 was assessed as having provided effective and timely advice, briefing and support on economic, industry, infrastructure, environment and resource policy issues.

Feedback from key stakeholders indicated that we played an important role in the development of the 2002–03 Budget, in particular through supplying early strategic advice on budget processes and priorities and, with the Cabinet Secretariat, supporting the consideration of budget proposals by the Expenditure Review Committee (ERC) and Cabinet.

Feedback also indicates satisfaction with the role played in providing advice and support for the effective operation of COAG, Cabinet’s Sustainable Environment Committee, the Employment and Infrastructure Committee, and the Ministerial Committee to Oversight Implementation of *Backing Australia’s Ability*.

Key results

Economic conditions and outlook

The division provided advice to the Prime Minister on current and prospective economic conditions in Australia and overseas. In 2001–02, that advice was provided in the context of the high degree of uncertainty associated with a slowdown in the global economy and the impact of the terrorist attacks of 11 September 2001. Advice also included assessments of individual sectors of the economy, including analysis of the contribution of the First Home Owners' Scheme to a recovery in the residential construction sector.

We continued to participate in the Government's Joint Economic Forecasting Group, which provides the Prime Minister and the Treasurer with assessments of the domestic and international economic outlooks. The assessments formed the basis for the 2002–03 Budget, the pre-election economic and fiscal outlook and the Government's management of macroeconomic policy.

Fiscal policy

The Economic Division provided advice to the Prime Minister on fiscal strategy and worked with other divisions to ensure that the department's advice in all policy areas was consistent with the Government's fiscal priorities. We provided advice to the Prime Minister on the changing fiscal position and on emerging public financial management issues, including those raised in the Government's *Intergenerational Report*.

The division played a significant role in the 2002–03 Budget process by supporting the Prime Minister in his role as Chairman of the ERC, and provided coordinated advice to the Prime Minister and senior Ministers on expenditure and revenue options. We coordinated with other areas of the department and other central agencies to facilitate consideration and finalisation of elements of the 2002–03 Budget. Feedback from key stakeholders indicated that the division played an important role in the development of the 2002–03 Budget, in particular through supplying early strategic advice on budget processes and priorities and, with the Cabinet Secretariat, supporting the consideration of budget proposals by the ERC and Cabinet.

The division conducted an evaluation of the 2001–02 Budget process, in consultation with other divisions and the Prime Minister's Office, and contributed to a broader evaluation conducted with other central agencies. The results of the evaluations were taken into account in planning for the 2002–03 Budget.

Taxation policy

The division provided advice to the Prime Minister and his office on a number of taxation issues throughout 2001–02, including the implementation of the Government's election commitments and reforms to business taxation.

The Office of the Inspector-General of Taxation is to be operational by the end of 2002. The division provided advice on the role and functions of the office and participated in related consultations with a number of Commonwealth agencies.

We provided input on the design aspects of the baby bonus, available to eligible carers in respect of each first child born on or after 1 July 2001.

We also provided advice on a number of the Government's superannuation election commitments – particularly those with implementation dates of 1 July 2002, such as allowing departing temporary residents to access their superannuation.

In addition, we provided advice on a range of other taxation policy and administration issues, including the treatment of investors in mass marketed schemes.

The division continued to advise the Prime Minister and his office on the implementation of business tax reform, including consolidated taxation of corporate groups, tax relief for demergers, taxation of financial arrangements and the simplified imputation system.

We also provided advice on philanthropy related tax issues raised by the taxation sub-committee of the Prime Minister's Community Business Partnership.

Workplace relations policy

In 2001–02, the division prepared advice for the Prime Minister on the General Employee Entitlements and Redundancy Scheme and Special Employee Entitlements Scheme for Ansett. We also contributed to the development of the Government's submission to the royal commission inquiry into the building and construction industry and the submission to the Australian Industrial Relations Commission 2001–02 Safety Net Review of wages. We continued to provide advice on legislation proposals relating to workplace relations reform.

Financial sector policy

The division provided advice to the Prime Minister relating to a variety of financial sector issues, most notably on a range of insurance matters. We provided extensive advice on the Government's response to the rising cost and declining availability of public liability and medical indemnity insurance, including the development of approaches canvassed at Commonwealth, state and territory ministerial meetings on public liability insurance held on 27 March 2002 and 30 May 2002 and the National Forum on Medical Indemnity Insurance held on 23 April 2002, chaired by the Minister for Health and Ageing. This included advice on the Government's response to the appointment of a provisional liquidator to United Medical Protection and its subsidiary, Australasian Medical Insurance Limited. The division provided extensive support to the Secretary-level Task Force on Medical Indemnity, which was established to advise the Prime Minister on short- and longer-term medical indemnity and related insurance issues. Feedback from key stakeholders on the division's work on insurance issues was positive and indicated that the division played a constructive role in coordinating work across portfolios.

Other insurance related matters included advice on the HIH Assistance Scheme; builders' warranty insurance; and the impact of the 11 September 2001 terrorist attacks in the United States on the international reinsurance market, including their effect on the cost and availability of aviation insurance and insurance to cover the effect of terrorism for a number of sectors.

We also provided advice to the Prime Minister on reform of the financial sector, prudential regulation of superannuation (including the Superannuation Working Group) and the Reserve

Bank of Australia's consultation paper on the reform of credit card schemes in Australia. In addition, we provided advice to the Prime Minister on the implementation of the Government's decision to amend the Corporations Law to allow liquidators to claw back any directors' bonuses paid in the lead-up to a company's becoming insolvent.

Industry, infrastructure and environment policy

The Industry, Infrastructure and Environment Division is the Prime Minister's principal adviser on those industry and environmental issues that are considered by Cabinet, that require a cross-portfolio and/or intergovernmental perspective, or that require the Prime Minister's involvement. The division also advises the Prime Minister's Office, the Secretary and Senior Executives on such issues.

The division advised and provided support on a broad range of policy issues during 2001–02. Issues of particular significance included:

- aviation policy in the lead-up to and following the failure of Ansett, which included such issues as aviation insurance, air safety and the sale of Kingsford Smith Airport
- an appropriate strategic framework for considering natural gas issues in Australia – the division provided leadership and support in the preparation of a report to the Prime Minister on this issue
- the implementation of the \$1.4 billion National Action Plan for Salinity and Water Quality agreed to by COAG in November 2000, and other issues related to water rights
- the development of the \$1 billion extension to, and a more streamlined structure for, the Natural Heritage Trust
- the establishment, resourcing and operations of the Sustainable Environment Committee of Cabinet
- the coordination of a COAG meeting, held on 5 April 2002 – the meeting agreed on significant initiatives in a range of important policy areas, including human cloning and stem cell research, foot and mouth disease, salinity and water property rights, reconciliation, and public liability insurance
- the implementation of *Backing Australia's Ability* initiatives and the consideration of national research priorities.

Other issues on which advice was provided included:

- the development of a new National Coastal Policy
- reviews of the implementation of Australia's Oceans Policy and of Commonwealth fisheries policy
- land clearing
- Australia's participation in the World Summit on Sustainable Development
- Australia's response to climate change
- the development of the National Food Industry Strategy
- national preparedness in relation to the threat of foot and mouth disease, including the

development of a Commonwealth–State coordination framework within which to manage the disease if an outbreak were to occur

- the establishment of national fuel quality standards for petrol and diesel
- policies aimed at improving services to rural and regional Australia
- a report prepared by officials from all tiers of government on natural disaster relief and mitigation arrangements, commissioned by COAG
- rail and road transport, including the proposal by the Commonwealth Government for the Australian Rail Track Corporation to lease the New South Wales interstate rail system, as part of a more strategic approach to land transport – other important initiatives included the sale of National Rail, the continuation of the Road Black Spots Programme, and various proposals for upgrading and extending Australia’s road network
- communications and information technology, including issues surrounding the continued implementation of the social bonus programmes funded by the partial sale of Telstra
- the implementation of initiatives, in response to recommendations of the telecommunications service inquiry, to further improve telecommunications services in regional, rural and remote Australia
- measures to further reform the telecommunications competition regulatory regime and proposed amendments to cross-media and foreign ownership legislation
- industry policy issues and individual projects seeking investment incentives
- trade practices law and competition policy, and the review of the competition provisions of the *Trade Practices Act 1974*.

Overseas Investment Promotion Review Task Force

Following the submission to the Prime Minister of the report of the Overseas Investment Promotion Review Task Force, in August 2001, the division advised on a government response and participated in the resulting interdepartmental process which outlined a proposed response to the recommendations of the task force.