



**Productivity Commission: Inquiry into  
Boosting Productivity in the Services  
Sector**

18 June 2014

**Final Report**  
**Focus Group Evaluation**

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## Preface

This report has been prepared for the New Zealand productivity Commission by Nick Hill from MartinJenkins (Martin, Jenkins & Associates Limited).

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## Introduction

This report sets out feedback received about the New Zealand Productivity Commission's inquiry into "Boosting Productivity in the Services Sector" from a focus group evaluation held in Wellington on 18 June 2014.

The objective of the focus group was to provide feedback on the Inquiry with reference to the following key dimensions of the New Zealand Productivity Commission's performance:

- The **focus** of the Inquiry's report (significance of the issues covered, whether they were covered in sufficient depth, the relevance of information sourced and people engaged with)
- The **quality** of the analysis of information and the quality of findings and recommendations
- Satisfaction with the **process management** for the Inquiry
- The quality and effectiveness of the Commission's **engagement** in completing the Inquiry
- The effectiveness of **delivering the messages**, as evidenced in the Inquiry's reports and supporting material (summary reports and "cut-to-the-chase" summaries).

The focus group consisted of a small group of representative Inquiry participants selected by the Commission. A full list of participants is attached at the back of this document.

## Right Focus

The Focus Group noted the Inquiry was asked to cover significant ground in the time available. It also faced the challenge of having to decide where it would "deep dive" to undertake more detailed analysis and offer more specific findings and recommendations.

It was noted that a very large part of the services sector is made up of the public sector, but that the public sector had been excluded from the Inquiry.

The two topics chosen for in-depth analysis were ICT and competition, and the Focus Group acknowledged the reasoning for these choices.

Some participants felt the in-depth analysis of competition seemed to jump straight to a discussion of competition law and the perceived problems with S36 of the Commerce Act. Readers were left to "join the dots" between the role of reforming S36 and improving productivity in the services sector.

The other area that received in-depth analysis was ICT. Some in the Focus Group considered that the findings and recommendations were perhaps too-much weighted towards achieving the benefits of moving to greater levels of cloud computing. Instead, more emphasis could have been given to examining why New Zealand managers have been less willing and able than their international peers to transform business models and processes using ICT, and identifying steps to improve management practice in this respect.

The Focus Group also noted and commended the Commission for the emphasis it placed on studying the demand side for services and the role consumers play in driving productivity through exercising choice. The example cited here was the discussion on facilitating customer switching.

On balance, the Focus Group considered the Commission was given a challenging task, and they had generally adopted the “right focus” in their approach.

## High Quality Work

The Inquiry’s final report provides a very good summary and overview of where New Zealand is at in terms of services sector productivity. It draws together a lot of important information well. As a result, the report is helpful in providing context for considering productivity issues and developing a policy agenda for addressing them. For example, the Focus Group agreed that the statement on the role and importance of competition in driving productivity in the service sector is very good, and it is helpful to have this stated so clearly in an authoritative source.

The Commission received particular praise for the survey it undertook of business investment in ICT. The survey elicited useful insights. For example, comments regarding ICT such as “...getting on OK without it...” were very powerful in emphasising the challenge of introducing productivity gains through ICT in New Zealand. Likewise, the background papers were considered high quality and valuable in and of themselves.

However, the Focus Group considered the report could have gone further in its analysis of S36 of the Commerce Act. While the analysis of S36 in the report is a good exposition of the current views held amongst professionals working in the area, it doesn’t contribute new insight to the debate.

One way the Inquiry might have helped the debate is through an economic analysis of the case for change. That is to say, while S36 is proving difficult to apply in practice, it doesn’t necessarily follow that it is creating sufficient costs to justify change in “...a real world sense”.

Stronger evidence to support change would have been welcomed by some. Indeed, there was a sense for these participants that the Commission was reaching too quickly for regulatory solutions. As well as the focus on reforming S36, these participants wondered whether the case for introducing “market studies” had been developed in sufficient depth.

However, for other participants familiar with overseas regulatory regimes (particularly in the United Kingdom) the discussion on market studies in the report was sufficient.

The Focus Group was in agreement that the Commission plays a particularly valuable role in providing evidence to support analysis of difficult issues, and the report is at its strongest where this is the case.

## Good Process Management

Some Focus Group participants had participated in previous Commission Inquiries and were familiar with the process, while for others this was their first experience.

All considered the process management to have been very good.

The Focus Group did offer the suggestion that for Inquiries with a significant technical component (such as the ICT issues traversed in this report), the Commission could consider whether it co-opts a technical expert to sit with it as a member. The example was given from the Commerce Act, where the High Court can appoint a lay member as an expert to sit with the judge to decide a case.

## Effective Engagement

The Focus Group noted the high level of engagement from the Commission in building and validating the evidence base and testing and refining its findings and recommendations. This had involved:

- an issues paper and submissions,
- two interim reports and submissions
- engagement meetings and webinar
- the use of an ICT reference panel
- experts roundtable

The quality of engagement was outstanding. Commissioners were credited with listening to feedback and advice, and the development of the findings and recommendations in the report reflected this through the process.

The experts' roundtable proved a valuable forum for exploring the issues with S36 of the Commerce Act.

The Focus Group felt the level of participation in the process could have been higher (more participants and a wider representation). The point was made that it can be difficult for individuals and firms, who face competing demands on time and resources, to participate in the process. There may be further steps the Commission can take to make the Inquiry and its process more relevant to those with views and information to contribute.

There is a related risk that engagement involves “the same old faces”. The Focus Group suggested that perhaps in future exercises it would be worth thinking more creatively about how to include more input from less mainstream stakeholders, but acknowledged this can be difficult to achieve cost-effectively.

## Clear Delivery of Message

The Focus Group considers the final report is a very good document. It is comprehensive, clearly laid out and attractively presented.

It includes some innovative presentation. In particular, the diagram on page 69 (*The Service Embodied in an Exported Log*) was singled out for particular mention.

However, the Focus Group did comment that, while the 4 page “Cut to the Chase” report successfully and drastically compresses and highlights the key messages in the full report, the language used is still the same language used in the full report. This means this brief report is not fully- designed for a wide audience that includes most New Zealanders who are not familiar with the language and concepts being used by the Commission. It was suggested the Commission may want to consider a product specifically designed for mass consumption.

# Overall Performance

## ***Right Focus***

The Commission was given a challenging task to provide an analysis of services sector productivity in New Zealand, and to provide in-depth analysis into two specific areas of inquiry (competition and ICT were chosen). In practice, there was a very specific focus on S36 of the Commerce Act (where the analysis could have gone further) and cloud computing (where other ICT related areas of inquiry could have been explored more fully).

## ***High Quality Work***

The Commission's final report provides a very good summary and overview of where New Zealand is at in terms of services sector productivity. It draws together a lot of useful information well. As a result, the report is helpful in providing context for considering productivity issues and developing a policy agenda for addressing them. Some participants felt the report was less effective in providing enough concrete policy options for lifting productivity.

## ***Good Process Management***

The process management was very good.

## ***Effective Engagement***

The quality of engagement was outstanding. Commissioners were credited with listening to feedback and advice, and this was reflected in the evolution of the development of the findings and recommendations through the process.

## ***Clear Delivery of Message***

The Final Report is a good document. It contains valuable, detailed analysis and data, is logically structured and attractively presented.

## ***Overall Performance***

The Commission has met its Terms of Reference, and provided a report that is valuable as a summary of services sector productivity in New Zealand. In some areas the Commission came up with concrete recommendations, while in other areas it stopped short at the point of identifying future policy work areas.

## List of participants

### Focus Group

Bastiaan van der Scheer	Ministry for Business, Innovation and Employment
Karen Chant	Ministry for Business, Innovation and Employment
Donal Curtin	Economics New Zealand
Nick Haywood	Telecom
Sue Chetwin	Consumer
Neil Anderson	Chapman Tripp

### Moderation

Nick Hill	MartinJenkins
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