

# Review of services inquiry

Using the Commission's performance framework

NZIER report to Productivity Commission

June 2014

## About NZIER

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Each year NZIER devotes resources to undertake and make freely available economic research and thinking aimed at promoting a better understanding of New Zealand's important economic challenges.

NZIER was established in 1958.

## Authorship

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It was quality approved by John Ballingall

# 1. The task and the process

The task we were set was described as follows:

*“The deliverable is a report of your review of the Commission’s Services Inquiry.*

*The review should evaluate (based mainly on the final report plus on-line appendices) the quality of the services inquiry against the following performance measures:*

- **the right focus** – the relevance and materiality of the inquiry report;
- **good process management** – the timeliness and quality of the inquiry process;
- **high quality work** – the quality of the analysis and recommendations;
- **effective engagement** – how well the Commission engaged with interested parties;
- **clear delivery of messages** – how well the work is communicated and presented; and
- **Overall quality** – the overall quality of the inquiry taking into account all factors.

*Note that the Commission’s performance framework also contains another dimension:*

- **Having intended impacts** – what happens as the result of the Commission’s work

*While it is mainly too early to judge this aspect, you should make any observations that you feel you can make.*

*The review should note any lessons that can be taken and make recommendations for any future improvements.*

*The report must also contain a ‘summary assessment’ (or alternate name) that summarises your perspective on each of the performance dimensions (a short paragraph on each) – this is useful for the Commission’s Annual Report.”*

## 1.1. Process adopted

### Approach to the review

We were informed that the report “stands on its own two feet” and have taken this as meaning that we should concentrate on the report as it has emerged and that the inquiry was a process intended to produce this document,

This does not mean we have disregarded other outputs but that we have focused our attention on the results as contained in the written report. So, for instance, we note that the Commission’s website has a variety of supporting material, but have looked at this as secondary to the report.

## 2. Opening and key points

Before presenting our findings we make some remarks about the report we are discussing.

### 2.1. Aspects of the work under review

Attempting an analytical examination of the services sector in New Zealand is a brave undertaking. As the Commission makes clear in the report, the authors have faced a series of problems in undertaking the task.

#### 2.1.1. Framing the task

To start at the beginning, there is no clear economic definition of what is a “service”; indeed for its purposes the Commission has used a negative, of considering the economic activities left after the goods and primary sectors are considered. The implications of this are commented on further below, but the main point here is to illustrate the difficulties facing the work.

Further the key frameworks used to pursue this work are framed in terms of the way goods enter into economic activity. This is understandable and provides a sound base for analysis, as it draws on the techniques and insights that have been gained over many years in examining the way goods function in the economy. But it poses a variety of practical and theoretical issues when the spotlight turns to focus on economic activity that is often more metaphorical than actual in its relation to the goods economy<sup>1</sup>.

The key implication of this is that it often makes things difficult for the writers to communicate effectively with their readers who are struggling to get to grips with both the concepts being employed and the way they are being used here. This two-sided problem is compounded by the complicated and diverse nature of the sector; a factor well discussed in the report.

This goods-centric approach based on classification is further likely to create confusion when the manner of organisation of production makes a sectorial difference. For instance, there is a sectorial shift of activity out of services if a goods producer takes over the external legal firm that has been supplying its advice. This issue is discussed in the report, but the arbitrary nature of the classification system must affect the way the report’s outputs are interpreted, and it deserved a more careful examination.

#### 2.1.2. Data and evidence usage

Moving on to the way data has been assembled and used, the underlying difficulty for such a report is to keep clear to the reader the implications – in terms of limitations and potential weaknesses – of the sources used. So to list a few matters that arise here, the ready availability of suitable data for a sufficient range of

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<sup>1</sup> Consider the use of “production” as applied to personal services, such as baby-sitting.

disaggregated industries, over a long-enough time period is a problem. Reliable material is scarce. Similarly, finding or producing reliable material that can sit adequately alongside international sources to provide a sensible comparison on which to base conclusions, is a recurring issue.

In general, we are impressed by the work that has been done as a base for the research. And indeed, positively surprised by the width of the comparisons able to be made here.

But the other side of this coin is the need to caution the reader and adequately include the limitations of the results in their presentation and examination. This is particularly important when recommendations are being made for serious policy changes<sup>2</sup>. The report misses the mark in this respect.

## 2.2. The setting – Productivity Commission framework

The Commission has its own set of criteria that are to be used for assessment reviews such as this. They are part of its performance framework.

They feature in the task description above, and in brief are:

- The right focus;
- Good process management;
- High quality work;
- Effective engagement;
- Clear delivery of messages;
- Overall quality; plus what we can say about
- Having intended impacts.

Our assessment of the Services inquiry against these various aspects is given in detail below. But pulling together our thoughts we present a nutshell of the rest of the report here.

## 2.3. Summary assessment

### 2.3.1. The right focus

*The relevance and materiality of the inquiry report*

As this area is one that is relatively short of data locally and internationally, the inquiry had a role to play in filling in the gaps and arguing the value of the sector. This is done with a degree of flair and diligence in tracking down or gathering fresh

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<sup>2</sup> To take just one instance, recommendation R7.5 is based on the view (page 150) that “the benefits of market studies are likely to outweigh their costs.” This is not well-established in the report for New Zealand in terms of either side of the equation. A more reflective approach might have been along the lines of other investigatory recommendations, or to include an explicit statement that this was not strongly evidenced.

information. The way it all hangs together is fairly conventional, but broadly does the job and the overall case is satisfactorily made.

The discussion is a little less sparkling, with understanding hindered by the use of examples from the goods sector<sup>3</sup>, and remarks that are difficult to reconcile with the material<sup>4</sup> displayed. Such effects add up to the reading of the vital foundation chapters being a bit of a slog. And though there is a careful section looking at definitional questions, the reader is left somewhat hazy about both the coverage and defining essential character of the sector, and this uncertainty is not overcome by leaving important supplementary material in (non-included) appendices.

### 2.3.2. Good process management

*The timeliness and quality of the inquiry process*

The inquiry has completed its work in a timetable that is broadly in line with the original brief. The process control thus seems to have been sound.

The inquiry includes a balanced range of appropriate elements: surveying international and local research; staff analysis and commissioned work; various consultation methods including a specialised panel for ICT, plus a succession of drafts being released for comment. These entail differing skills and successful execution is demanding; in the circumstances we see the quality of the effort as notable.

### 2.3.3. High quality work

*The quality of the analysis and the recommendations*

The approach adopted by the Commission was to do high quality well-founded work where possible. The broad attack of working into the issues and putting them in context before launching into diagnosis and then treatment (possibly including recommendations) was appropriate. The siting of the questions and their answers initially in the international literature – of which a wide sweep was cited and aptly used – was stimulating, and often deft. The shortage of data and the frequent difficulty of making accurate comparisons was a hindrance. The realism and practicality applied to many of the discussions about the New Zealand scene was welcome. In places, though, the limits of the evidence base could have been taken into account more clearly<sup>5</sup>.

### 2.3.4. Effective engagement

*How well the Commission engaged with interested parties*

The inquiry obviously made substantial efforts to consult and a respectable list of submitters is the result. Formal requests for submissions were supplemented by other mechanisms – such as focus groups and a survey of more than a thousand businesses – and these also produced useful responses.

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<sup>3</sup> For instance, see the discussion of aggregate on page 34.

<sup>4</sup> Compare discussion of Figures 4.10 and 4.11.

<sup>5</sup> For instance, F2.2 is making a sweeping statement that is difficult to justify as it stands without taking much of its force away by seeing it as talking about a subset of the sector's outputs.

The resulting material was deployed very effectively in the report, where they provided quotations to show the views of affected parties from the sector, in their own words. Obviously there is always room to discuss the extent to which the scale and diversity of the sector was reflected in the level and spread of the voices included in the report. All such inquiries have to make the most of their resources and a range of responses both from individual organisations and those who represent wider views is documented. Overall, we consider that the engagement was solid.

### 2.3.5. Clear delivery of messages

*How well the work is communicated and presented*

The inquiry has used various methods to communicate its findings – including videos and slideshows available on the Commission website. The main vehicle, the report, is well-designed and flows logically through the connected stages of its discussions and arguments. While somewhat tough going in the early parts, it has a high incidence of charts and diagrams, many of which are striking.

In several places ingenious ideas are used to get a difficult concept across. But in other parts, the design or production process has not been up to standard: we found several typos; there is a tendency to repeat points or even double up on material; and irritatingly, key appendices relating to crucial arguments are not in the report and have to be individually downloaded.

While the Overview is not as successful as the report, the four-page *Cut to the chase*, perhaps because it is really short and focused, works in the areas it chooses to cover.

### 2.3.6. Overall quality

*The overall quality of the inquiry taking into account all factors*

This inquiry was a challenge. The way official statistics and economic paradigms have developed means that the comfortable frameworks and data are not as ready to hand, nor were the facts about the sector as familiar to the reader as those for other sectors – goods and primary.

This unfamiliarity also created an understanding “gap” that the report had to overcome. In effect the investigation had to grapple with a range of issues at the same time: find or grow data; develop and communicate appropriate frameworks; and create and evidence credible arguments. In general, these attempts have been successful, though the quality of the communication has been varied. But the success in putting forward some credible ideas reflects a focus on quality – especially of evidence - which has paid off.

Taking account of these challenges and the starting point, we are impressed with the work done and the overall achievement. Having the inquiry has signalled the importance of the sector, but the report plus data and analysis is a lasting asset for the wider interested community. We assess that the inquiry has made significant progress in the two directions<sup>6</sup> in the Terms of Reference.

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<sup>6</sup> These were to provide an overview of the role of services in the New Zealand economy and to provide policy options to lift productivity in the services sector.

## 2.3.7. Having intended impacts

*What happens as a result of the Commission's work*

### **Quick comment**

As the terms of reference make clear this assessment is taking place at an early stage. But the mood of the moment is for strategic policy to drive slowly – an election is in the offering and serious long term matters are in abeyance.

Thus far our search for major results from the inquiry has located only a single area where there are signs of progress along the lines indicated by the report. This is in competition policy. The Commission's recommendation that Section 36 of the Commerce Act be reviewed is one in a series<sup>7</sup> of commentaries that have supported change in this aspect of the current law.

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<sup>7</sup> See comments by Duncan Cotterill (prior to final report, but reflecting the progress of the inquiry) at <http://www.mondaq.com/NewZealand/x/321566/Trade+Regulation+Practices/Overhaul+of+competition+law+on+the+way>

## 3. Detailed examination

### 3.1. The right focus

#### *The relevance and materiality of the inquiry report*

We approached this area of assessment through two sides covering the aspects specified in the Commission's explanation: importance – the significance of the sector to the local economy; and the topics selected for special treatment – as these were intended to be illustrative as well as relevant in their own right.

#### 3.1.1. Importance

The relevance and importance of the services component of the economy is well discussed and established. The scale of the sector is discussed effectively, as is its evolution and thus the way it fits into the rest of GDP. From there it is a simple step to link the sector to productivity performance. This foundation stone provides a good basis for the inquiry to build on, and the other sections including the two specific topics, use it to integrate the inquiry into a complete package.

Beyond the sheer scale and economic effect of the sector, there is also a useful emphasis – given the underdeveloped nature of studies of the sector – on the nature of services and the services sector. This needed to be an effective piece if the inquiry was to be able to speak to more than the technicians and sector participants. In the event it does its job<sup>8</sup>, but could have been clearer about the precise nature of the aspects of services that relate to the main themes being focused on in the inquiry.

A strength is the consideration of, and material on, the international aspects of services. Both the data gathered and presented, and the analytical devices used<sup>9</sup> are apt and work well – even for the non-expert reader. On the other hand, while one or two examples are provided<sup>10</sup>, the reader seems to be in danger of not being provided with sufficient concrete examples to anchor the discussion. This is particularly important in the vital material that covers the new information about the way the sector contributes to exports directly and indirectly.

#### 3.1.2. Selection of topics

The potential scale of this inquiry – particularly bearing in mind the spade work that was required to assemble and examine the fundamental data – was huge as the service sector is over 70% of the economy. As a way of making this more tractable, the reference pointed to carrying out studies of special topics. This created the question of having to make a selection.

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<sup>8</sup> In terms of access to the inquiry unfortunately useful material on the nature of services and evaluation of their characteristics plus how they score on a series of attributes is in Appendices F and H. These are not in the main report and have to be accessed individually via the Commission website.

<sup>9</sup> For instance, the use of the framework of modes from the WTO GATS is highly effective – see Figure 2.5.

<sup>10</sup> The Fonterra case study is a good one, but could have been taken further to illustrate more features of the sector – including those that might be seen as unfamiliar – such as the way 'indirect' trade works.

A sensible process – involving a round of consultation which used suggested options – was undertaken and the two finally chosen were:

- The role of competition and how it can be enhanced; and
- How the sector applies information and communications technology (ICT). ICT is transforming existing services and creating new ones, and research has established strong links between the adoption of ICT and productivity.

Clearly this decision was important for the inquiry, as the topics wound up being a significant part of the final output. Moreover the choice was not one that appealed to all submitters – some are quoted as favouring the selection of altogether another topic.

But having reviewed the scope and intent of the inquiry the two selected make a definite contribution to the way the inquiry all comes together. They are both issues that apply across the services sector, and also are both of direct applicability to the underlying matter of advancing New Zealand’s productivity. The two topics are also different in the type of impact they have, and in the way the policy issues they generate actually function.

Competition is about the market setting for the individual economic agents or firms, who are making key choices. It provides a significant environmental factor influencing economic behaviour and decisions. It is centrally determined by public policy. For all its universality, it is challenging and might be characterised as policy design and execution that is still ‘work in progress’ around the world.

ICT on the other hand, while having a policy dimension, is centrally about the way firms choose to undertake their economic activities. It is a matter of company investment in people and machinery, as well as the choice of systems.

We see the examination of these topics as part of this inquiry as usefully casting separate light across different aspects of the workings of the service sector; as well as advancing the Commission’s basic mission by providing a series of recommendations that are directed to improving productivity.

## 3.2. Good process management

*The timeliness and quality of the inquiry process*

As the Commission’s explanation specifies, we have considered the two sides of the process separately.

### 3.2.1. Timing

The final report was released in May 2014 rather than the original target date of end of February 2014.

As we see it, the drive to have the inquiry empirically based involved a great deal of effort to build up an apt suite of data and knowledge. This could then be used to support the analytical probings that were envisaged in the brief.

Given the shortage of adequate standardised and readily usable data this approach meant there had to be a considerable amount of original collection and cleansing in

preparation for the analysis. Allowing for this significant workload, we judge the process as having been reasonably managed.

### 3.2.2. Quality of process

Our approach to assessing the quality of the process for the inquiry is to break the work into what we see as its contributing elements. The key ones we have considered are:

- the overall design, including the balancing of the different components;
- the management of the analytical portion; and
- the organisation of the various consultative pieces.

#### Overall design and balance

Looking at the evidence in the report we find that the design of the work was broadly successful. The key elements of the service sector's productivity story were developed, and a series of relevant research pieces undertaken. While there are obviously alternative ways things might have been organised, this approach seems to us to be respectable; the train of logic as broadly shaped should do the job.

Clearly a reasonable balance had to be struck between the investment in the analytical component and in the other elements. The way this balance manifests itself in the report is in the hard going nature of the early sections of the document. It's just a bit of a grind for the non-specialist reader. This is reinforced by the limited "feel" for the sector the reader is given in the report itself. The supplementary material is not only put into the appendices, but relegated to those that must be accessed separately – and individually – on the Commission's website<sup>11</sup>.

This is a weakness that detracted from the ready accessibility of the story line and thus the points the inquiry was seeking to draw to the readers' attention.

#### Analytical management

The analytical work itself seemed to our review to be appropriate for the type of inquiry being undertaken. In every such endeavour a careful judgement has to be made about the standard of technical care that is adopted to support the conclusions being sought. This in turn, sets the level of analytical thoroughness that is required to make the pronouncements or findings. A number of considerations enter into such a decision:

- In part this is a question of resources – just what can be done with the people available in-house or on call?
- It also depends on the starting point – just what work is already in place and ready to be built on?

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<sup>11</sup> Both of these aspects (not being in the document; and having to access them individually) are drawbacks for the reader seeking to follow the arguments back to the evidence. We recognise that there are limits to the scale of a publication, but suggest the gist of the matters could have been included in the paper copy without making it nearly as big as the Regulations report. Our preference would be to see the key material that relates centrally to the arguments as being developed needs to be at hand. Other more reference type material could be in a single document on the Commission's website.

- Finally there is the issue of the width and depth of the conclusions sought – the wider the range of questions to be investigated and the higher the standard of evidence set as a minimum, the greater the commitment that is entailed.

After carefully looking at the report it is clear that the inquiry had limited resources and deployed them carefully to address the important fundamental questions well. So the performance of the sector and the factors that contributed were examined. The experience of the firms making up the sector similarly was fresh work and important for the overview.

Turning to the two special topics, the analytical base seemed more sketchy. In part this is a product of the forward looking nature of these sections, which meant there was limited historical material to draw in. But it did mean that the findings and recommendations seemed less well-supported.

Overall, we would have liked to have seen more indication of the way the Commission came to its findings when there were views or evidence that was in vigorous conflict. And we further we think it would have been sound practice<sup>12</sup> to signal the degree of robustness of the findings, particularly where they were less than strongly supported. This may, of course, entail the risk that the lower ranked findings and recommendations were given less than due attention by readers; but we consider that clearly signalling the degree of support there is for each conclusion outweighs this.

## Consultation

A significant effort was put into consultation. Beyond the usual process of producing a document and seeking comment there were specific thrusts to build up a base from which to understand the sector and how its denizens and stakeholders think.

So the survey and the focus groups were supplemented with the IT advisory panel. A major problem in trying to develop a picture of the workings and views of the sector is its sheer variety. The extra positive moves were thus appropriate.

### 3.2.3. High quality work

#### *The quality of the analysis and the recommendations*

We see the Commission as setting its quality target high. As discussed the broad plan of attack proceeded in the following manner:

- Providing a picture of the local services situation – what is going on in New Zealand in the services sector?
- Some diagnosis of issues – is the sector sound and where does it fit into the wider local productivity scene?

<sup>12</sup> An example of the sort of approach we are envisaging is the way the IPCC reports are organised. So an instance is : “The degree of certainty in key findings in this assessment is based on the author teams’ evaluations of underlying scientific understanding and is expressed as a qualitative level of confidence (from very low to very high) and, when possible, probabilistically with a quantified likelihood (from exceptionally unlikely to virtually certain).”  
[http://www.climatechange2013.org/images/report/WG1AR5\\_SPM\\_FINAL.pdf](http://www.climatechange2013.org/images/report/WG1AR5_SPM_FINAL.pdf)

- Theoretical insights and ideas from overseas – to put New Zealand’s problems into a wider framework that should point to effective treatment or at least understanding of the question;
- Potential solutions were then examined and recommendations made.

As mentioned in earlier sections different parts of this scheme were more or less successfully executed. The data-based examination of the sector was sound; but the reader’s ability to gain a “feel” for the way the type of firms performed<sup>13</sup> was limited. And the hazy definitional boundaries contrasted with the tight statistical classifications used elsewhere.

On the plus side the use of a diverse range of academic literature to “surround” the local issues and situation was effective and showed flair at times. But shortages of local data and difficulties with appropriate comparisons also hindered the process.

Overall, the main issue was that the quality of supporting analysis and evidence was diverse, and while showing initiative and ingenuity the outcome demanded that the differences needed to be carried into the discussion of and presentation of the results (findings and recommendations.)

Another aspect of the analytical discussion was that while there were similarities between the subsectors, on some dimensions the various types of services were more than subtly different and needed a different approach. To take just one major divide, the differences between the different GATS modes have quite profound impacts in their likely response to possible policy measures.

The apt theoretical framing was complimented by generally sound use of practical experience and needs to keep the discussion applicable to local conditions. This was notable in the frequent reminders of the scale of the typical local firm.

But in places the recommendations deserved further explanation. The discussion of the market for IT skills showed that New Zealand was strongly integrated into a global demand and supply network. In such a situation, enhancing international IT management recruitment sits alongside improving our ability to use locals better as a response to the imbalance in supply and demand. But the recommendations were more oriented to the latter than the former.

## Literature

One aspect we were asked to pay attention to was the coverage of relevant literature. Our main conclusion is mentioned above: we thought the use of the published material was thoughtful and shrewd. A variety of different disciplines were plundered for insights.

But for all of that, we found several areas that might have been further drawn upon to illuminate the points that were under examination. We offer three in particular as examples of the way mainstream economics and management literature contained useful contributions.

We have chosen areas where we were aware there were publications that did not appear in the reference list:

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<sup>13</sup> So while there was overview of the diversity of the sector and its component industries, plus useful examples, the way the effects discussed as sector or industry characteristics related to the specifics of the industries, is not covered.

### **Regulation and minimum quality standards**

As part of the great surge of work by micro-economists in the 1970s on signalling and regulatory interventions we instance the paper by Leyland (1979). It is of special interest as it focuses on the type of situation where minimum standards tend to work effectively.

### **The role of longer term effects**

Inevitably in authoritative micro-economics, there is a body of work by Nobel Prize winner Joe Stiglitz that is relevant. An overview piece is Stiglitz (1987) which looks at the way reputation effects can link quality and price in the market.

### **Perceptions as real effects, from a marketing perspective**

While much of the theory of marketing is more oriented to experiments or empirical findings Brady and Cronin (2001) pulls together a range of findings into a picture of the way service quality interacts with demand in the market.

## **3.2.4. Effective engagement**

### *How well the Commission engaged with interested parties*

As discussed the inquiry was no passive affair as far as interaction with interested parties was concerned. A significant outreach effort was undertaken.

The avenues used included:

- Rounds of formal drafts (Issues paper, First interim report and Second interim report) accompanied by successive requests for responses, resulted in 56 submissions;
- Focus groups or roundtables – to thrash out views on specific topics;
- Engagement meetings with individuals or groups;
- An expert ICT Reference Panel; and
- The large scale survey of services firms.

What was the result?

In our view, the width and number of submissions generated is impressive. It is especially notable as we see limited self-interest at stake here, because the Commission is merely an advisory/ investigative body whose recommendations have a distance to travel before becoming policy. The serial nature of the successive drafts and the inevitable way comments by one group, in one medium, can be tested against those of others, during a drawn out process such as this, is an inherent advantage of a mixed approach.

Overall, the way the net was cast to glean comment gave the inquiry a strong degree of reality. This flowed over into the sharp end, where the use made of extracts from the survey and remarks of stakeholders was striking and provided valuable practicality to the report.

But is still hard to make an assessment of the extent to which the full gamut of views reflecting the diversity of types of services firms is caught in this process. Despite the openness of the appendices that show who contributed and the mechanisms used, the reader is left to form their own opinion on the width and depth of coverage. It is

clear from the material presented and the differing results for the subsectors that the services sector is very heterogeneous. This needs to be taken more into account when policy is being considered to ensure that differences between types of services are adequately taken into account.

Given the sweeping nature of several of the findings and recommendations, the challenge of the sector's diversity has not quite been nailed. What was required was a more nuanced discussion of the findings and recommendations to show which areas were most likely to be affected.

### 3.2.5. Clear delivery of messages

*How well the work is communicated and presented*

The inquiry has been innovative in its approach to spreading its findings. Thus there are videos and slideshows available on its website, and the report itself has a stand-alone cute four page "Cut to the chase" pamphlet<sup>14</sup>. To us these are all helpful methods to reach out to the widest possible set of audiences in their own preferred terms.

Looking at the report itself, this heterogeneous style continues. There are a number of useful design and presentation features employed so that different readers can approach the material in their own way.

So, after a Glossary, which deals with many of the technical terms used in the report, comes a 13 page Overview section. This was not as successful as one would have wished. It is – perhaps inevitably - composed of a series of what appear to be relatively strong assertions that a critical reader would seek to have soundly justified. As such it therefore seemed to fall between the stools by being a punchy summary of the content, but lacking in the richness of the report's arguments, and not providing ready cross-referencing to the support material. This left it a bit hollow<sup>15</sup>.

Then moving into the report its self, the design was both sensible and attractive. It has a quality look with many striking features:

- A sprinkling of colourful and often ingenious diagrams<sup>16</sup> to illustrate and clarify ideas and insights;
- Tables and "boxes" to summarise material and give "footnote-style" digressions a more prominent place on the page; and
- A common presentation style that flows through the whole report to tie together the findings and recommendations.

Despite these features, and the report's overall "bright" appearance, the early parts of the document – sections 2-4 – were something of a slog. This may have been the heavy nature of the discussion or the overload of data, but whatever it was, we assess that the typical reader would not find it an easy read. Once the special topics

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<sup>14</sup> While this was an effective device, it would have served more purposes if the "assertions" it was inevitably full of, were cross-referenced to the richer discussions in sections of the substantive report.

<sup>15</sup> Our take on this piece is that with the work that had gone into "Cut to the Chase" – to produce a breezy quick take - the overview needed to be more nuanced and questioning. It also had to be tightly linked to the details of issues it was covering.

<sup>16</sup> For instance, Figure 3.9 uses a cunning presentation to capture a concept of "netting" out positive and negative contributions to an overall effect. This is frequently found difficult to communicate straightforwardly.

are underway, the readability improves significantly – perhaps because the discussion, being more focused, also is more concrete.

A further problem was that we found the repetition of material irritating. Of course not all readers will plough through the whole piece and there is always a choice to be made between repeating the story, cross referencing or just indicating in passing what has already appeared. Somehow the wrong choice was made here.

An interesting feature was bookending the report – which opens with an overview - with Chapter 12. This was a valuable shortish collection of higher level themes and implications, looking to the future, including how the report's results might be best employed. There is room for polishing the execution, as the necessary summing up to launch forward was somewhat repetitious. But the idea is really worthwhile and we liked the ranking of the recommendations.

We were disappointed to note lapses in production control. There were several errors in wording that were more than simple typos; these should have been picked up by any picky reader. And the organisation of the References section was not consistent in its treatment of government agencies and their abbreviations.

### 3.2.6. Overall quality

*The overall quality of the inquiry taking into account all factors*

This inquiry faced a variety of issues: the service sector is not the paradigm more discussions of the economy are founded on. Indeed we will all know people who do not see many services as actually productive and have trouble with term “the hospitality industry.” Then the whole question of just what is a *service* seems more than a little difficult to resolve. And when this lack of a sympathetic and understanding audience is compounded by the shortages of data and information that the investigators faced at the onset of this project, it is serious.

The careful reader will have noticed we have pointed to various shortcomings and things we suggest could have been done better. But these are part of this review; they are the feedback that improves processes.

Looking coolly at the starting position and the inherent intellectual and information gaps that faced the investigators in undertaking this inquiry we are impressed with the distance that has been travelled and the material that has been generated to assist the wider interested community absorb the findings. We are comfortable therefore to assess that the inquiry has made significant progress in the two directions<sup>17</sup> indicated as the purpose of the task in the Terms of Reference.

The report is a valuable reference in a number of ways, as it breaks new ground and poses interesting questions.

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<sup>17</sup> These were to provide an overview of the role of services in the New Zealand economy and to provide policy options to lift productivity in the services sector.

# Appendix A References

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