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TRANSCRIPT

Regulatory Reform Forum

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Gary Banks, Chairman, Productivity Commission
Steven Münchenberg, Deputy Chief Executive, Business Council of Australia
Senator, The Hon Michael Ronaldson
Wayne Swan, Federal Shadow Treasurer

…I'll ask you to take your seats and we'll be underway very shortly. Thank you.

COMPERE: I'm Maurice Reilly the CEO of the National Press Club. I take great pleasure firstly to introduce our Chairman, Ken Randall, to welcome you and introduce the, one of our conveners and speakers this afternoon. Ken Randall.

CHAIR: Thank you very much. Ladies and Gentlemen, good afternoon and welcome to the National Press Club, on behalf of both the Club and our principal sponsor, the National Australia Bank. This forum is one of a series of events which NAB has promoted in the last couple of years, as a background to the rather more publicised speaker events that we have as part of the process of informing the community about the formulation and implementation of public policy. Last year, actually before their formal association with us, the National ran a forum on agricultural trade. At the Club earlier this year, they did another on infrastructure which has been another of the burning issues of this year. And this one of course on regulation and over-regulation, deregulation, whichever way you choose to look at it.

Today's proceedings will be chaired by Alan Oster, the Chief Economist of the Bank. Alan's probably one of the best known commentators on the economy that you hear regularly on radio television, in the print media these days. He's a Newcastle graduate and has been, before the private sector with the Treasury for a long time, as many of our better economists seem to have been. I'm not suggesting that all the better ones have left the Treasury but it does seem to be a bit of trend in recent years doesn't it?

Alan has done a great deal of work in this general field of trying to better inform public opinion about the background to major public policy issues and he's also served with the OECD. So he has a wide breadth of public sector experience as well as private sector experience. He'll tell you know how today's event is going to be run and he'll be back later to run it.

Alan.

[Applause]

ALAN OSTER: Thank you very much on behalf of National Australia Bank. We're really pleased that we could have a forum like this.

All I'm going to say is welcome. We're looking forward to it. We've got four eminent speakers who'll be coming up. Each of them will give a presentation if you like for about ten minutes or so and then we'll have some question and answers. But I think the most important thing first is we have the lunch and I'll come back and get things going probably in about half an hour's time.

Thank you.

[Applause]

… is not to say anything. No questions, no speeches. But we do have four eminent speakers here. Gary Banks, Steve Münchenberg, the Hon. Michael Ronaldson and Wayne Swan.

What we've done is we've decided ten minutes each. then essentially when we get through the ten minutes, questions and answers and that's when you get a chance to, to ask questions of people - what they've said to you and questions you've got that they may or may not have addressed. And the aim is try and get you out of here right at about two o'clock.

Okay, so we're going to start the batting order if you like, that way - put it that way. Gary Banks, he's our first speaker.

Gary's obviously the Chairman of the Productivity Commission since its inception in 1998. He was previously the Executive Commissioner with the Industry Commission which he joined in 1990. Since then he's headed a number of governmental inquiries, some of which include National Competition for Policy Arrangements, Study for COAG into Economic Implications of Ageing. Probably from this forum's point of view, more interestingly he was appointed by the Prime Minister and the Treasurer in October to head the Federal Government's review and Gary, would you please come up and give us your views. Thank you.

[Applause]

GARY BANKS: Well, thanks very much Alan and thanks to the National Australia Bank and the Press Club for inviting me. The timing is interesting and you'll see that I've cast my comments accordingly.

Look, I guess the first thing to say, and it won't come as any surprise to you, is that regulation is essential. No society or economy can function effectively without it so we take that as a given and the taskforce takes that as a given, but that being said, regulation has grown very rapidly and there's a strong case that we are becoming over-regulated and could achieve objectives with less of it and lower burdens on business or communities.

Now the Tax Act is often taken as a regulatory barometer and in the length of the Act I think Australia has stood second only to the United States of America.

In a speech a few years ago, I commented that the Act had grown in size by sixty times since 1936 and if it kept growing at that rate, some of my colleagues, researchers at the Commission, had done some fanciful calculations that it would reach eight hundred and thirty billion pages by the end of the century. It would take three billion years of continuous reading to assimilate and weigh the equivalent of twenty aircraft carriers.

Now that calculation's never been disputed. So, I was going to use it as the realm of fact but now we've had the recent announcement from the Treasurer that two thousand odd pages are going to be cut out of the Tax Act so it's hard for me to persist with those analogies unfortunately and I've had no time to consult the Commission's economatricians to get some alternatives.

But some have questioned in relation to that cutting of the Tax Act, some have questioned the benefits of excising what is already redundant, but I guess the other question is why keep it and indeed the search process itself is of value and leads to a questioning of the relevance and utility of existing regulation. And we do need more of that.

Together with a range of other recent initiatives in the tax and the financial services area and others, I think it's indicative of new recognition by government of the need to give much more attention to the costs of regulation and especially the costs for business.

Now addressing these is the object of the Taskforce that I Chair, which was announced in October and it's to report by the 31st of January on actions to address areas of Commonwealth regulation which, I quote, are unnecessary burdensome, complex, redundant, or duplicate regulations in other jurisdictions. The focus of our work is not on policy per se, but rather its implementation through regulation and how effective that is.

My fellow taskforce members on this exercise are Richard Humphrey, Rod Hallstead and Angela Macrae, all of whom are here today, as well as some members of our Secretariat. It's a useful opportunity for us to break a meeting - we were meeting all day today and come and hear what other people have to say.

So I'm speaking as announced, as Chair of the taskforce, rather than the Productivity Commission, but necessarily speaking for the taskforce at this stage. For that you'll have to wait for our final report and it's a bit too early to reveal the contents.

And indeed, we're still digesting input from an intense few weeks of consultations and reading some hundred plus submissions. These have all been very valuable indeed. I think business has risen to the challenge that we set in our issues paper of identifying specifics rather than just providing a general harangue about regulation and for that we're grateful but it does create a challenge for us to make the most of it in the time available. And in that time we're clearly not going to solve all elements of regulation but we are aiming to provide some short term actions as well as an agenda for further work going forward.

So, while I can't pre-empt obviously the specifics of what we might recommend and indeed we haven't really got to the stage yet, what I can talk to you about is some of the themes that have emerged and I've contrived what I call ten themes in ten minutes, but I have less than ten minutes now so I'm going to have to move very fast on them.

And I guess the first theme that's come out of our consultations is business is not crying wolf about regulation. There's evidence that's come to us of sizeable regulatory burdens that are hard to justify even taking the policy objectives as a given. The most convincing of this information, of this evidence is information at the level of individual businesses and about individual regulations.

What all that adds up to is less clear and the estimates that are bandied around in the Billions or Tens of Billions of dollars are hard to interpret and the methodologies are variable and can be suspect, particularly at the top end of some of those estimates, but clearly, it does add up to something significant.

The compliance costs on business include not only paperwork but also constraints or distortions of business decisions and uncertainty and the cost associated with that in relation to compliance and whether businesses are actually compliant with the regulations.

The second theme is that a disproportionate impact of those costs falls on small firms and some surveys have suggested that relative to income, the cost of regulation can be a third higher for a smaller firm. Perhaps more likely - more importantly, they tend to divert the CEO of the firm and thus impact on the core business of the firm much more so than for a large firm which can afford to have - create divisions to deal specifically with regulation. Even so, some survey evidence suggests that, that compliance and dealing with regulators can account for up to five - from five to twenty percent of the senior manager's time and up to twenty-five percent of Board time. And indeed in some industries it's obvious that the most talented people in the firm are congregated in the area of the firm that has to deal with regulation. That indicates how important it is to the firm's bottom line.

And all of that's important, particularly the issue of SMEs because they are such a dominant source of job creation and economic growth.

The third theme is that while past regulatory reforms have served Australia well, and I'm on the record of talking about that, we certainly can't relax. The economies of the future will compete as much on the performance of their regulatory frameworks and systems as they will in the quality of the people, the technology, and resources available to them.

If nothing is done the compliance burdens of regulation or what's called red tape, could become a source of competitive disadvantage for Australia. And this really comes out when you think about countries like China and other Asian countries with whom we are competing, and indeed it's somewhat ironical that a country like China, a former centrally planned economy, is described as having less red tape on businesses than our market economy.

The fourth theme is that it's not just the quantity of regulation that's generating excessive cost, but also the nature and characteristics of that regulation and we've had many examples come to the taskforce of poorly targetted regulation in terms of identifying the source of problem or risk. Many more firms are being covered by regulation than necessary. Regulation that's too prescriptive or detailed. Regulation that lacks flexibility. Badly written and hard to understand regulation and regulation that's not only difficult to administer, but often almost impossible to enforce.

Fifthly, even when individual regulations are of reasonable quality, they can give rise to undue cost through their interaction with other regulations and again, we've had many examples of overlap and duplication, particularly across jurisdictions, one of the delights of our Federation, but also within jurisdictions where you get new layers of regulation building up on the old layers and providing accumulative burden of cost to business and others in the community. You also see new specific regulations overlaying a more generic economy wide regulations in the same area.

We've also had examples of inconsistency and conflict between regulations and the differing objectives behind them. This can vary from differences in terminology. What is a firm? What is an employee? To regulatory cocktails with quite unintended adverse consequences.

Sixthly most regulations have a use by date. At one of our roundtables, someone questioned whether the Ten Commandments could be placed in that category but I think it's more a matter of disuse there rather than a use by day, but there are many examples of regulation again that have come to us that are no longer meeting their initial objectives and that can be because of changes in the market, or in technology, or just the effective inflation on which firms are covered by regulation. For example, in the taxation - under the Taxation or Corporation laws. And those sort of changes can have pervasive effects to the extent that they rope in many more firms and in particular smaller firms for which they were not originally intended. Or indeed, you can just simply have unintended consequences that take time to be revealed.

The seventh theme is that no regulation is an orphan. Regulation gets there because of pressures on government to do something and sometimes those pressures come from business itself and sometimes they even come from small businesses.

So in Australia as in other advanced or affluent societies this has reflected a lower tolerance for risk and a presumption that governments can regulate risk away or shift it to others without incurring significant cost. And I must say that's a presumption that is often fostered by governments themselves in the past.

And indeed, governments faced with strident demands to take regulatory action whenever something unfortunate happens, often fueled by media pressure, a good point to make in this forum. What some of our participants have called the Alan Jones syndrome. The regulators can face up and governments can face significantly more political risk if they don't act than if they do, even if it turns out to be the wrong action or an action at excessive cost. In other words as Tony Blair has made plain in a recent important speech that many people have sited, avoiding bad regulation is society's problem, not just an issue for government.

The eighth theme that's come out of our work is that regulation after all is made by government, notwithstanding the comments I've made and there are many examples of excessively burdensome regulation that can be sheeted home to deficiencies in process. In other words, how regulations are made.

A good process is demanding, but it's not rocket science. It involves regulators defining the problem, why action is needed and looking at the costs and benefits of different options. And all that's been laid out in the requirements for regulation impact statements that have been established and endorsed by Cabinet and this was a positive move following the Bell Review some ten years ago.

But those requirements are often flouted or ignored or just done poorly.

A key concern to business is the lack of early meaningful consultation with business before governments get locked in or regulators get locked in. And in particular, little assessment of the costs of different options and especially compliance costs. So it's a positive therefore I think that the Commonwealth Government has endorsed the need for cost benefit analysis and the use of methodologies, I think developed by the office of small business to estimate compliance costs and make this a requirement.

The challenge is to ensure that any compliance actually occurs, and more attention may be needed in that direction.

Two final quick themes.

These difficulties in part reflect a long standing cultural issue within government agencies responsible for regulation and its implementation. We hear the term regulation first as characterising many such agencies or a predilection for more prescriptive regulation to achieve certainty for the regulator. Often good policy principles and good policy design will be subverted by how it's implemented at the coalface in actual regulation.

And of course regulators are only human. They respond to the incentives they face like all of us and those responses - those incentives are very much for them not to take risks and to err on the strict side. And if we think of financial regulation and financial regulators, in the post HIH environment I think that becomes clear. But that said, there are other issues that we've heard about in relation to the willingness to consult, to provide guidance and an emerging adversarial culture which are harder to explain. And tackling these I think is going to be very important if we're going to achieve a goal of good regulation that's also well administered.

So my final theme is prevention is better than cure.

Good regulation requires effort, it requires resources. But it's less costly in the end than dealing with and fixing up bad regulation. So it's very critical to do as we are doing to review the stock and I think there's more of that to come. It was announced by the PM and the Treasurer will be the responsibility of the Productivity Commission going forward. But we also need to address the underlying forces at work that are producing high cost regulation and that's a challenge not just for Australia. It's a challenge for all societies but I think the rewards are very substantial for those that can do best. So the taskforce is happy to make a useful contribution to that endeavour.

Thanks.

[Applause]

ALAN OSTER: Thank you, that was quite interesting in lots of topics. We'll look forward to reading the report at the end of January.

The next speaker is Steve Münchenberg. Steve joined the Business Council of Australia in April 2000. Previous - or prior to that he was the CEO of the Australian Minerals and Energy Environment Foundation.

Going back even further, worked at senior levels in Federal government in both environmental and resource departments covering issues such as climate change and the impact assessment.

Steve, your turn to come up for ten minutes. Thank you.

[Applause]

STEVE MUNCHENBERG: Thank you Alan and thank you to the Press Club for letting me get on my soapbox about regulation.

I want to start talking about cake stalls. I think as cake stalls are very important.

There's a regulation in Victoria that says that if you want to sell food at a cake stall, you know these are the things that you set up on Saturday mornings in the street, and the very charming little old ladies sell their cakes and jams and all that sort of stuff.

If you want to do that in Victoria now, in certain parts of Melbourne, you actually need to make sure that all that food is prepared in a kitchen which matches the same standards as professional restaurants.

Unfortunately, most little old ladies haven't yet had the Health Department certify their kitchens. So they've killed off cake stalls.

The reason I mention that is that while at one level, and it may be considered trivial, it's a good indication of the problem that we've got with regulation.

Here we have a very well meaning piece of legislation. We want to protect people from food poisoning, from eating little old ladies' marmalade.

But in effect what we've done is killed a very important element of the community where communities could get together, they could raise funds for their local Church, their kindergarten, the Scout Club or whatever the particular fund raising activity was. And it was something that would bring communities together and help them help themselves. But, well intentioned, nonetheless, they've been killed off.

And it's a good illustration of the sorts of problems that we face at a multitude of levels.

Now, the rest of what I'll talk about is big business and their regulatory problems, but the theme is much the same. I've only got one theme, Gary, I'm sorry.

The BCA was one of the organisations that put over-regulation or red tape on the agenda through the year.

After the election last year, the CEOs that make up the membership of the Business Council got together and identified what they saw as the four major policy priorities that should be on governments' agendas but weren't necessarily so.

They were taxation reform, not taxation cuts. Infrastructure planning and co-ordination. Increased workplace flexibility and reducing red tape and over-regulation.

Now it's fair to say that business at one level or another is always got a bit of a grumble about red tape. It's one of those perennials. But it's also very clear that we have reached some sort of saturation point where business has said enough is enough.

We're seeing waves of change in important pieces of legislation and new legislative initiatives being brought in.

We're seeing growing complexity.

It's all adding a dead weight on business in Australia and that dead weight hampers Australia's competitiveness.

It's not unique to Australia. Gary's already mentioned that the Blair Government in the UK is having to deal with it. It's an issue in the US. It's an issue in most OECD countries.

But that doesn't mean that Australia shouldn't be out there leading in its charge to try and do something about regulation.

There were two challenges for the BCA they had in the beginning of the year. The first was to convince government that this was different. This time it was different that there really were some very serious concerns with red tape. We weren't just having a general winge. And secondly was to find workable solutions. Because we had been down this path any number of times before. And this time we want to make sure that we make differences that are sustainable.

Convincing governments that there was a problem turned out to be not that difficult. We were inspired by Gary's Tax Act aircraft carrier and decided to do a little bit of research and counting for ourselves and a lot of these figures have been bandied around through the year so you're familiar to them.

But in 2003 the nine major governments in Australia, not counting the seven hundred plus local governments added thirty-three thousand new pages of legislation in that year alone.

Legislation in Australia in terms of the amount being passed is growing at a rate of ten percent a year. I wish we could get those sorts of growth rates in other areas.

The mid point for the Commonwealth and this is the point at which half of all legislation that had been passed was in 1990, so in other words as much legislation has been passed by the Federal Parliament since 1990 as was passed in the first ninety years of Federation.

And every week the New South Wales Parliament sits it adds another three hundred pages of laws, regulation and some other rules and those sorts of thing. The former Premier while he still was Premier, but we didn't realise at the time in the closing weeks in being Premier actually did volunteer to stop the Parliament in New South Wales sitting, but - which would have solved the problem, but nonetheless he decided to take a career change instead and now works for one of our members.

The volume though is not the problem of itself. The problem is with quality, not so much with quantity. And our experience is that the quality of regulation is also falling just as the quantity is increasing and this morning we're released our submission to, to Gary's taskforce which includes some seventy odd pages of examples of where we see poor quality regulation effecting large businesses.

The question then is how do we fix it?

Well the normal response from government is if we've got a regulation problem let's set up a red tape review. In fact I 'd like to read a little quote here.

'I'm convinced that we have accumulated an excessive and often irrelevant and obstructive bodies - body of laws and regulations. We will examine critically the whole range of business regulation, most importantly with a view of assessing its contribution to long term growth performance. We - the government - will maintain regulation which upon careful analysis clearly promotes economic efficiency which is clearly an effective means of achieving more equitable income distribution. And we will abandon regulation which fails these tests.'

That was the Prime Minister, the then Prime Minister Bob Hawke, addressing the Business Council in 1984. Unfortunately despite the then Prime Minister's good sentiments and desires, twice as much legislation has been added by the Commonwealth since 1984 as was in place when he made those, those comments.

So red tape reviews can be helpful, they can provide a bit of relief and they are a useful start, but they will not and will never be enough to solve the actual problem. And I'll talk about that a little bit more in a moment.

But first of all having released our submission to the taskforce today, I just want to quickly run through what we've put in that.

We are very conscious that this taskforce has been set up with a very limited time to do its job and with a limited focus. We're not expecting this task force to solve all of our problems before the 31st of January, which when I told that to Gary, he was quite relieved. We do [indistinct] nonetheless expect him to come up with some pretty brilliant recommendations to deal with our problems.

In our submission, though, we've identified what we see as the six main contributors to high compliance costs and not so much the legislation, the pieces of legislation themselves, although they're identified as well.

But what are the six generic things and I suppose these are my six themes compared with your ten? What are the six themes that add to compliance costs?

The first one, Gary's already mentioned that, is the interaction between laws. Whether it's within one government or across governments. It's probably the major problem for our corporations, members of the Business Council who tend to operate across jurisdictions in Australia. The conflicting, the overlapping, the inconsistent regulation.

The second is constantly changing laws. Now we're conscious of the irony here that we're asking for improvements to regulation which will no doubt lead to change, but overall there is a problem with constant changing of laws. Constantly tinkering of laws sometimes because of their interaction with other areas of laws, but always trying to finesse and change the laws.

It adds considerably to the costs of corporations who then have to retain people, re-systems engineer their processes, and do a whole pile of stuff to make sure that they're actually on top of what the current law is.

The third area, and this is a perennial and reflect perhaps on my own background as an environmental regulator and where I was very conscious of this. The inefficiencies and frustrations of multiple and unco-ordinated licensing and approvals processes. Try and get a major project up anywhere in Australia and you find pretty quickly you're dealing with three layers of government, each with a number of agencies involved and they're more likely to talk to you, even if that's inadequate than they are to talk to each other.

The lack of clear delineation between the roles of different regulators, their powers and their objectives is the fourth area that adds to compliance costs.

The fifth is the perverse consequences of zero tolerance attitudes by regulators, driving excessive, unproductive and at times counter-productive compliance responses. Just to digress there to give you a little illustration. One regulator at the moment is saying that it wants to see the performance appraisals effectively for the Board members of large corporations, because they want to make sure that proper performance is being assessed and that directors are doing what they're supposed to be doing. Unfortunately, if they insist upon that it's only going to have a perverse outcome of meaning that those performance processes will just be done as a compliance exercise to satisfy the regulator rather than being the robust and honest sort of assessment that we need to make sure we've actually got good directors on our companies.

Now there're examples of each of those six areas set out in our submission which you can get off of our website today.

So what's to be done about these problems?

Well we have proposed some suggestions to the, to the taskforce about improvements that could be made in the short term which would at least relieve some of the pain for big business.

One of the most important ones is the regulatory impact assessment process that Gary has already touched on. Now if ever there was a brilliant concept under done by its own execution, there is an example.

The idea that you actually assess the impact that a regulation's going to have before you sign off on it is a very sensible one and we have no complaints with that. We would just like to see it done in some sort of systematic and robust way.

One of the major problems at the moment is, do a regulatory impact assessment poorly or well - there are no consequences or benefits as far as those developing the regulation go. And without that accountability then we will not get good regulation impact assessment processes.

We're recommended that there be a two stage process so that all of the legislation effecting business gets some preliminary assessment and then those that have a significant impact get some decent assessment beyond that.

At the moment we estimate that about two-thirds of the Acts that go through Federal Parliament effect business in some way to a greater or lesser extent and yet only seven percent of those Acts are subject to a regulatory impact statement.

The second thing that can be done is allowing proper consultation on legislation. If you were going to go to the effort of putting in, in place new regulation, new legislation, then at least make the effort to talk to those who have to deal with it subsequently on a day to day basis.

Apart from anything else, we can usually point out where some of the flaws and weaknesses are and where some of the problems are that you're going to have to fix twelve or eighteen months later anyway. So you might as well get those early on.

There should be as a norm a twelve week consultation period, process on any regulation being brought in.

Rationalising company report - reporting requirements. One of the biggest complaints and something that we share very passionately with small business is the multitude of reporting requirements placed on business. In effect governments have outsourced their information gathering exercises

and there's no co-ordination within government so rather than filling in one set of forms to satisfy a number of regulatory agencies, you get different forms asking much the same sort of information from different agencies.

Gary's already touched on the issue of risk and I've not really emphasised it today except with my cake stall example. But risk and risk aversion is one of the huge if not the major drivers of over-regulation that we face.

Regulators should be putting in place risk management processes, profiling companies, deciding what is the likely regulatory risk from a company? Do they have a strong track record with compliance? If so, then they're unlikely to go off on a tangent that's going to bring down, bring down the company or others.

If they've got a track record that's somewhat more dubious, then focus your efforts on - of regulation on those. At the moment what we tend to get is that the exception cases drive regulation for all companies.

And finally, and there are other recommendations in the submission but I won't go through all of it because I know how anxious you are to rush out and read it. Finally, COAG must adopt as a priority a regulation reform programme, particularly targetted at those overlapping and duplicating regulations in areas as OH&S, Workers Compensation, calculation of stamp duty and payroll tax just to name a few.

Where, in a country of only twenty million people we have eight different systems, sometimes nine, doing those various regulation or calculating those various taxes.

But even if all the BCA's recommendations and its proposals to Gary's taskforce were in fact adopted, we would not solve the problem. We would have achieved a bit of pain relief, possibly temporary pain relief. It's not to say that taskforce is not important, but it's not going to solve the problem.

There are underlying problems with the way governments make regulation and Gary's already touched on some of those. The regulate first

mentality. The fact that there are no incentives for governments to not regulate and there are no particular costs for Government, media costs in regulating.

Basically, it's just too damn easy for governments to regulate to manage an issue. There was a lack of transparency around regulation making. Too much of it is made in a black box. It is then released upon an unsuspecting public and we're all supposed to presumably stand back and applaud. We'd rather actually be involved in the processes to help get better regulation.

There is a lack of accountability for the impacts of regulation. At the end of the day and by and large it doesn't really matter if you put in place poor - it doesn't matter to those doing it - if you put in place poor regulation. The costs are all outsourced onto others and it's only when things get really bad that you're going to have any comeback on that.

It's quite interesting to contrast how government approaches regulation making with that other great area of government involvement, and that is spending of money. You look at the very robust systems that are put in place around government expenditure in terms of budget planning and actual accountability for the results and then contrast that with a complete absence of any accountabilities around regulation. It's no wonder the governments are askewed more and more towards regulation.

A lot of these issues are dealt with in more detail in the action plan released in May of this year and I won't go through the details of that here.

So at the end of the day, while we welcome the government's initiative in putting in place this taskforce and while we've participated with enthusiasm in that process, we do warn that much more is needed to actually solve the problem rather than just give us a little bit of pain relief.

Thank you.

[Applause]

ALAN OSTER: Right, having heard from the, the taskforce, if I can put it that way and then from business, now to legislation perspectives.

Our next speaker is Senator the Hon. Michael Ronaldson. Michael joined the Senate this year, however, I'm told that he's well known around the political circles being the member for Ballarat from 1990 to 2001. During that period from '93 to '96 he was part of the Shadow Ministry in a number of roles. He was appointed the Parliamentary Secretary to the Minister for Transportation and Regional Development from October '96 to October '98 and then the Chief Government Whip until his retirement from the Lower House.

Michael has been a long time proponent of regulatory reform and is the author of the government's white paper 'Fighting Australia's Over-regulation'.

Michael - your ten minutes.

[Applause]

MICHAEL RONALDSON: Well thank you very much, Alan. Can I assure you it's not the government's white paper. I want to make that very, very clear before we start.

To [indistinct], Alan, to the National Bank, to Ken Randall, can I thank you most sincerely for the invitation to be here today and I would like to pay tribute to the, to the BCA - Steve, who have been - the sustained effort of reducing the weight of the dead hand of government in relation to not just this matter but across many issues in our economy and I thank you for that.

Ladies and gentlemen, as it was indicated earlier on when Moses came down from Sinai he carried only Ten Commandments occupying two tablets. Now to expect such divine intervention from the nation's Parliaments is a little ambitious but Hammerady, creator of the first code of laws, made do with two hundred and eighty-two sentence rules and contrast his achievement to that of successive Australian governments and perhaps the cry will go bring back Hammerady.

As third speaker today I would assume that the, that both the problem and the scale of over-regulation is, is very much well known to you and accepted by you and therefore I'll keep my comments on that short, but rather talk about some of the problems which are outlined in my - in more depth than in the white paper.

As it was referred to earlier, the numbers are quite frankly absolutely gob-smacking. From 1972 to 2000 Federal Parliament produced one hundred and four thousand, seven hundred and twenty-nine pages of legislation, complemented by sixty-four thousand, six hundred and five pages of regulations and the growth continues exponentially.

In addition, we have eight State governments and Territory governments whose collective contribution to the regulatory burden exceeds that of the Commonwealth. In Steve Bracks' Victoria, there were sixty-nine State based regulator - business regulators in 2004. And one of my favourites is the Diary Food Safety Victoria which should not be mistaken from the quite different Victorian Dairy Industry Authority and I heard the other day that there are rules in relation to the use of ladders in workplaces but not in theatres, so if you have a painter who's an opera singer, then presumably the rules do not apply.

We shouldn't forget that the rules are promulgated by some six thousand councillors, seven hundred and twenty-two local governments on top of that. Another layer Federal, State and local government.

Now this is great for business if you're a lawyer. For everyone else it is costing Billions and Billions of dollars and that's why I very much welcome the Federal Government's taskforce and so - ably chaired by Gary - to investigate ways of tying or cutting the red tape that is tying up Australian business.

In 1998 the OECD estimate the cost of regulatory compliance to Australian small and medium business alone, at 17 Billion dollars. Other estimates from respected commentators have put the total figure at some 86 Billion dollars annually, or ten percent of GDP. Money that could be going into productive investments such as creating jobs is paid - is paying for endless box ticking and paper shuffling.

By way of comparison, Australia's total tax take is thirty-one point five percent of GDP meaning that our regulatory burden is effectively a hidden twenty-five to thirty percent tax slug on all Australians.

Now dig into those thousands of pages of legislation, regulation and you will be amazed. We've all had a bad haircut and a very bad haircut or two, but do South Australia really need a criminal offence for unqualified hairdressing? I think the solution is you just change hairdressers.

I'm all for employers being obliged to provide first aid kits on site. But New South Wales' legislation stipulate they contain adhesive dressing tape two point five centimetres by five centimetres. Is three point five too much for Sydneysiders to handle? And meanwhile that's the State government charges a small fortune for the right to open a pub - a more fundamental Australian right I cannot imagine.

Politics operates as a rational economy like any other. From a political perspective the booming regulations is easy to explain. Notably expenditure review committees and Treasurers across all governments are rightly attempting to crack down on new expenditure programmes. Regulation shifts the costs of budget to individuals and businesses without it appearing on the budget bottom line and the plan I'll outline today in the white paper is very much about changing the political economy of regulation.

Yes of course some regulation is necessary. In deciding whether to regulate the cost of regulation must be weighed against the benefits. Unfortunately, this rarely happens and here's an example of where that occurs.

Some shoddy conman takes 2 Million dollars from naïve investors. A nasty current affairs story blames regulators for not doing enough to protect them. Chasten, the government passes yet another regulation. There is further expansion of the layer upon layer of existing regulatory protections posed after the last current affairs' story.

The system of compulsory qualifications and licensing from investment advisers is made even more expensive to comply with. The net cost to industry might be 50 Million dollars to save a 2 Million problem.

The Government and the regulator gets the benefits, both are seen to be doing something. And the regulator is given more bureaucrats and money. But it's not government that feels the cost. The investors in this case suffer it. Business and investors suffer. So the end result, the 50 Million dollars to save 2 Million.

The interesting part is that conman will probably find a new scam anyway and that assumes that the new regulations actually curtail their dishonesty in the first place.

So how can we stop this?

The answer is that government simply must be made to feel the cost of deregulation. My white paper sets out seven suggestions to assist in the cutting of it and save for some specific proposals around the Productivity Commission and the Office of Regulatory Review, they are proposals that could be and should be adopted by State governments as well.

Now the first of these - and they are not all required - they can be taken in isolation or they could be taken as a whole. The first of those is formalising the judicial doctrine of desuetude so that legislation and other regulations which have been unused or brazenly unenforced for many years, can be permanently struck down by the judicature.

Even an unused legislative instrument adds to the compliance costs for business. The doctrine's not - the doctrine's not commonly understood to be part of the common law and so a statute continues in force until repeal by government, however long the time may be since it was actually used.

The second suggested change is that each government department should be set a strict regulatory budget, limiting the total cost of regulation which it can have in place. Departments wishing to pass new measures could refer out-dated rules to the Office of Regulatory Review for costing and then clawed back their regulatory budget by cutting the unnecessary red tape.

Thirdly, all new laws and regulations should include sunset clauses of not more than ten years. Upon expiry, Parliamentary affirmation of laws and Ministerial affirmation of regulations would be necessary to prevent them lapsing. This would ensure they were subject to regular review.

I'd note that in 2003 the Legislative Instruments Act was bought in and that does provide some sun-setting for many regulatory instruments, but we can do much more. The Act should be extended to statutes and the process of the sunset review needs to be strengthened to include the cost benefit analysis requirements I'll discuss shortly.

Fourthly, I propose a radical revamp of the Office of Regulation Review with the Productivity Commission giving it sweeping new powers and mandating that first that it audit the regulatory impact statements for all new Bills, delegated legislation and other regulations with a stronger emphasis on cost benefit analysis.

Secondly, refer any regulation which fails either the costs benefit analysis or the regulatory budget, back to Parliament and three, commence a long term rolling review of all existing regulation…regulatory cost benefit analysis and the legislative budgets.

Technically all submissions to Cabinet involving new or amended regulation would effect business have required RIS since 1986. But [indistinct] of the system although well conceived is clearly not working. Regulation impact statements should be a mandatory process which forces a real measure of the costs and benefits of regulation. Regulations that fail the test should be referred back to Parliament or the relevant Minister.

The fifty proposal is in addition to the inwardly focussed improvements to the RAS process, business and community organisations themselves, could seek review of existing regulation with the Office of Regulation to report publicly on its conclusions.

My sixth proposed change is not likely to endear me to my Parliamentary colleagues. But regulation causes inconvenience to ordinary Australians and the people who make it should be inconvenienced too if they're not prepared to do something about it.

Now at present our present legislation commonly sells through Parliamentary debate in a near empty chamber. The quorum requirements in the House and the Senate should be increased and forced to eliminate the passage of legislation on Parliamentary auto-pilot.

My seventh proposal is to amend the State and Federal Acts Interpretation Acts to remove changes which allow courts recourse to intrinsic materials such as Parliamentary debates and explanatory memoranda.

Parliamentary Committee Reports and the like, and this is all done of course to determine the intention of Parliament.

Now in 2003, there were twenty-four and a half thousand pages of Federal Hansard alone which have to be considered when interpreting the legislation and the amendments passed in that year.

At a conference in 2005 which speaking on the use of extrinsic materials, His Honour Mr Justice Callaway of the Victorian Court of Appeal said that extrinsic materials ensures that, and I quote, 'cases take longer to prepare and to argue. Judgments take longer to write. Justice delayed is justice denied.'

Now it is possible that occasionally such interpretive provisions prevent a mischief envisaged by the Legislature. More often than not the reverse will be true. Plain meeting will be abrogated, sloppy drafting rewarded and complexity increased.

These are just a few suggestions for addressing the scourge of over-regulation. We'd like to say that we live in a free country under the rule of Law. But how can we follow the law when there's too much of it for anyone to understand?

How free are we when the Ten Commandants have been multiplied into millions?

Admittedly most pieces of regulation do aim to get rid of real problems in our society. This, however, misses the point. In a free and open society,

governments should not be a solution of first resort. Indeed, open society should be measured by the proportion of our lives that are free from government control, not how much is minutely regulated.

We don't want to go back to the days of Moses and Hammerarvy, still I think I'm sure we can find a casual fifty thousand pages that we can do with that.

Thank you.

ALAN OSTER: Right. Our final speaker, but certainly, well known to - in the political environment is Wayne Swan. Wayne has had a long history working for the Queensland ALP. I've been told that in terms of his adviser work, names synonymous in the Labor Party such as Hayden, Young and Beazley, so well grounded in the past.

Wayne joined - became a Federal Minister for Lee in 1993. He was defeated unfortunately in 1996 but returned in 1998 and went straight onto the front bench where he was shadow Minister for Family and Community Services until the last election and now is the Shadow Treasurer.

Please, thank you - Wayne.

[Applause]

WAYNE SWAN: Thanks very much Alan, I hope I haven't followed Moses into the wilderness.

But I'll be very brief. We've had quite a few speakers.

I'd just make a couple of very, very quick points. I think the first one is that this country is in need of a raft of productivity enhancing reforms and one of those reforms that we need is a reinvigorated competition policy and part of that is a concerted attack on the regulatory burden in our society. Because I think we all know the problem and the Business Council has articulated it very well. That productivity is slipping backwards and as the Business

Council have said very clearly, if we don't take some urgent action, then in the longer term we are clearly going to be in trouble.

And this brings us to the nub I guess of the regulation debate. Now, what we have to do is make sure that our regulatory environment is focussed on where the real risk is and part of the problem here is that we can focus on a whole lot of outdated regulations about haircuts and so on and actually miss the point about what is going on right now in terms of the regulatory burden.

So I'd just like to talk very briefly about one or two areas that I'm familiar with, namely financial services, and then secondly, tax.

But I want to go back and talk very briefly about what Tony Blair has had to say in this area, because I think he's made some sensible comments and we need to keep this philosophical approach to the fore if we're going to make some real impact in this area in a reasonable period of time.

Now earlier this year he made the - he called for what he wanted which was a sensible debate about risk in public policy. And I think it struck a real cord because what he was right to do was to point out the detrimental effect of over-regulation on business but particularly on the competitive culture of a nation. So we do need to look at regulation through the prism of risk and as to whether it is worthwhile, worthwhile reform. He made this point, he said over-regulation is putting pressure on policy making, to act to eliminate risk in a way that is out of proportion to the potential damage. What he's referring to were these catastrophic events that occurred - have occurred in public policy, that Gary was talking about before. You get an over-reaction, you get a raft of regulation, and before you know it the regulatory burden's actually bigger than the problem that it was set out to solve.

Now I have a very good example of this - this is a product disclosure statement which is now used by retail superannuation funds. It runs to one hundred and ninety pages of legal jargon. This was part financial services reform that went through the Parliament only recently. So it's not a question of something being outdated, or the hair cut and their risk to health, it's about something that is - goes to the core of our financial system. The product disclosure document's a hundred and ninety pages but if you're actually

buying or investing and you have a financial planner that comes to your home, they will make or try to make you read a ninety page statement, a statement of advice and they can't legally sell you the product unless you sign that ninety page statement of advice. It's actually breaking the law.

So what we have is one area of over-regulation which has been imposed on our community in reaction to a very legitimate problem in the financial services industry which has had a dramatic impact. Regulations attached to these reforms led to - went to six hundred pages, impacted on nine thousand businesses and imposed a cost to business of at least 200 Million dollars. 200 Millions dollars. That's something that the Parliament did relatively recently in an environment where we have been having a debate about a productivity enhancing reforms across a range of policy areas. So when I say, at the beginning, that we need to concentrate on where the real risk is, this is a classic area that is right for reform and action now because it has been identified as being a problem area and government needs to take the stick to their recent actions in this area and I readily admit that those on all sides of the Parliament that will be part of this debate are responsible for the outcome.

So it's a very good area to demonstrate the way ahead and I agree with what a number of the speakers had to say, particularly Michael about the need to put some teeth, some teeth in our regulation impact statements. Because if that financial services legislation had been through a proper regulatory impact statement, it would never have been introduced in the Parliament in that form in the first place.

So what we certainly need to do is to put some teeth in our regulation impact statements and then look at experience elsewhere in the world for practical ideas as to how we can avoid those debacles into the future and how we can work our way through the back log of outdated regulations or regulations which are stifling creativity and innovation.

And the Brits once again, I think, are doing some reasonable things. They're discussing their putting in a rule that if you put one regulation in, you pull another regulation out.

There are a whole host of positive alternatives which can be put together in a framework by people like Gary so that we can put forward an action agenda to work our way through this problem.

And of course that then brings you to tax because you probably couldn't find an area more ready to demonstrate the problem that we find where regulation should be simple but it's not, where it should be clear, but it's not, where it should be sensibly enforced, generally where it's not and that's tax.

You can see it in the size of the Tax Act. I think the Income Tax Act alone is now something like nine thousand pages. We were presented with the Treasurer - by the Treasurer with an initiative two weeks or three weeks ago where he was going to cut out two thousand pages of outdated legislation but not necessarily a raft of proposals to make it simpler and to make it clearer. If we are going to do something about enhancing productivity in this country and in this economy, there is no area which would be more marked out for reform which could enhance our productivity put incentive into the system, than the area of personal income tax.

Simplifying that system means dealing with rates, not just thresholds, and it means dealing with a whole set of concessions and carve outs so that we can get a simpler system and put an end to an Income Tax Act that goes to nine thousand pages or seven thousand pages or five thousand pages.

So, there are two areas which immediately stand out for government action where action could be taken to, to reduce the impact of regulation, namely financial services and tax, but indeed there are many others.

So what we do need is a way, is a way forward here. I'm very hopeful that Gary's committee will put together an action agenda which will be taken up by an - by the incumbent, by the incumbents or by an incoming Labor government which is - which will contribute it to enhancing productivity in this economy and a far wealthier economy in the long run.

Regulatory reform is absolutely essential to achieve that and I look forward to working for that from Opposition and hopefully in government after the next election.

Thank you.

[Applause]

ALAN OSTER: Fine. Well we've heard now four very interesting presentations. I'm not going to say anything. All I'm going to do is basically be the conduit for you to ask questions. So, questions?

QUESTION: Hello, my name's Graham Evans, I'm the part-time Chairman of the Victorian Competition Efficiency Commission. I mention that because Senator Ronaldson referred to the sixty-nine regulators which was an outcome of one of our pieces of work.

Three questions, or three points I suppose of which I'm interested in whether Gary's group is going to look at which also [indistinct] relevant to the issue that's being discussed.

One is quasi-regulation and particularly the extent to which issues that are not picked up because they're not regulations and finish up as codes of practice or licensing agreement or planning approvals and so on, add to business costs.

The second is cost recovery and consistent principles of cost recovery that being a key aspect of - in business costs.

And the third is the issue of the skill sets of people who are involved in either commissioning or carrying out regulatory impact statements. In many instances the auditing process which I think is very important probably doesn't go as far as it might if the initial product isn't as solid as it might be, whether it be around choosing a market instrument or regulation or the quality of the cost benefit analysis and I think that's an area that would profit from some input.

SPEAKER: Well, I'll have a crack at those three questions and anyone else is welcome to answer them as well.

Quasi-regulations, sounds a bit like quasi-moto doesn't it? Sometimes it can be a little bit like that. I mean it is the sort of subterranium dimension of regulation that doesn't get much transparency and air and therefore it is certainly on our regulatory horizon in terms of the things we're looking at. We are very much guided by what people bring to us in the amount of time we've got available and, and a number of submissions have raised issues to do with some of the codes, but also things like guidance, notes and so on which start out as being guidance and end up becoming rather prescriptive must do kind of documents. So, certainly those things are, are on our agenda.

The question of cost recovery is a major topic in its own right. It's certainly a cost on business. It's a somewhat different cost to the compliance costs that are at centre stage in our review. I've had occasion to talk to business about a, a report that the Productivity Commission did a few years ago setting out principles for cost recovery and invited people to tell us as to whether those principles seem to be operating in practice. How far we could go on that is unclear.

In terms of the skill sets in relation to regulation impact statements, as I said, I mean - good process is not easy. In fact bad process is a lot easier than good process. It does require people to have a little bit of analytical ability to actually be able to find the problem for a start and then to be able to understand the cost and benefits of different options for dealing with it. But actually it is not rocket science and I believe it's a core issue for government and a core issue for policy makers that they are able to actually understand the implications of a regulation that they are proposing in terms of the impact on the community and on business.

And one of the reasons why they don't understand and why they do fall short I think is that consultation with business, a point raised by Steven in particular, has been done rather poorly when it's been done at all. And when you think about it, if you want to get an understanding of compliance costs, you really need to talk to business to get a good sense of that. So skill sets are important but I think just sort of doing the hard work of getting out and talking to businesses is a very important activity as well.

SPEAKER: Graham I think the - if the principle that underlies this is that cost benefit analysis - if that's the thing that underpins all regulation, I think

that's a good start. In relation to that fifth proposal of mine which actually gives business or community groups the right to go back and have a regulation review, while it is not I suppose a matter of principle cost recovery, there is the potential for some costs to be recovered and I think the perhaps change in the onus back to the consumer as opposed to the regulator may well also lead to some, perhaps better laws and better regulations at the start of the process if that isn't going to be a risk for them.

ALAN OSTER: Other questions?

QUESTION: Chairman, Grahame Morris from Price Waterhouse Coopers. Wayne, my daughter's a financial planner. She reckons in a good week it's 60/40, 60 doing her job, 40 doing regulations. In a crook week it's reversed.

Chairman, can I ask probably Gary - as a twenty-four hour expert in what Price Waterhouse Coopers does, it does seem to me that a lot of this regulatory stuff is between the government and the Department and the regulations that Departments have to go through and the auditing process and everything else that they pass on, just seems to me to be huge damn that is building up and is passed onto everyone. Is your point eight aimed at reducing that a bit? Because it does seem to me that reducing regulation on small business is sort a no brainer and everyone ought to give it a tick. Big business probably the same but it does seem to me some of the problems come back to Departments who are asked to look after their own posterior and then pass it on.

GARY BANKS: Yes I wasn't quite sure where that question was coming from because to some extent Departments complain about the - what they see as the red tape of a regulation impact statement and happy to jump through the hoops of that sort of process they see as being burdensome. Now others in business have said to me well the more red tape that regulators are bound up in the less we'll be bound up in…

SPEAKER: If it's good enough for us it's good enough for them.

GARY BANKS: So, so I thought that's where you were coming from but I, I think what you're saying at the end was more about, I guess, the question of

risk aversion, which is not just a societal problem, but we observe it within government agencies responsible for regulation.

Now I think it is a major issue that we're going to have to grapple with. It's obviously a deep cultural thing and it party reflects I think the nature of the society we have. So it's not easy and I'm under no illusions that we can crack that nut, but it does respond to incentives, I mean people in government as elsewhere respond to incentives and I think the more that you can impose through - from the highest political levels - good process on Departments to follow those and in turn for those processes to be rewarded by proper discussion and so on further down the line. I think the better - and I think that is very much an issue within the grasp of the bureaucracy and the regulators.

SPEAKER: Well, there's no trigger point for accountability Grahame, I think that's the, that's the issue. And that's why I'm suggesting that we set budget which will perhaps set the line in the sand in relation to - and so their - they have got some inbuilt accountability and if they want - if the Minister wants something else brought in, well the Minister's got to get something out. So if you bring some accountability back into it I think that's where we might get some changes, some cultural changes, which I think we'd all agree are absolutely fundamental to getting this issue addressed.

QUESTION: David Havyatt from *AAPT*. Look first question which is sort of to the point that clearly it's the quality of regulation, not the quantity that really we should be worrying about. Those people who've been counting legislation on a number of pages - do you count the number of pages there are in consolidated adds or do you count the number of pages that go to the Parliament every year. For example, the Treasurer to repeal two thousand pages worth of tax legislation will probably need to have an Act of about a hundred pages citing all the clauses that he's repealing and I think the Workplace Relations Act went to a few pages in its own right. Yet most of [indistinct] said that was a piece of legislation designed to reduce regulation. So, is that how we count?

And secondly, I suppose for Senator Ronaldson, those of us who like democracy, love the idea of actually forcing our politicians to listen to the debates on legislation but how do we also ensure that Parliament allows time for the legislation to actually be debated?

SPEAKER: I might answer the - Senator thanks for that, I'll answer the count…

(… A very quick response.)

As the chief legislative page counter in the country at the moment.

The answer David is that we've - what we've been able to count is the actual of number of pages going through, so it doesn't take into account the actual existing stock and the ebb and flows of that - or if it's going to be all flow in the actual pages and that sort of highlights a further problem - that is it's damn near impossible to work out what total amount of legislation is in force at any particular point in time. So it is a rough surrogate and we're aware of that.

Just in terms of whether it's quantity or quality. Our argument is that apart from anything else because of the sheer quantity of legislation going through, your quality control mechanisms are overwhelmed. Whether it's Parliamentary debate, whether it's impact assessment, whether it's consultation or whatever, just the sheer volume - now you can't do proper analysis on one hundred pages of primary Act each day because the average for the Federal Parliament and it's similar at State levels when you've got that sheer volume going through and that's part of the reason why you're getting poor quality. At the end of the day, yes the quantity doesn't matter, if you're got good quality legislation, but the two are inter-linked.

SPEAKER: I mean David, the quorum [indistinct] was a bit tongue in cheek as I acknowledge but I mean ultimately if Wayne and I and our colleagues aren't prepared to force some change, then we have got to take the responsibility of sitting in that place and listening to every single word. Now realistically, I'm on Senate Committees, Wayne's got his own Shadow Ministerial issues which would preclude that, but if we're not prepared to drive some change then we've got to be prepared to sit there and do the work that, that we expect others to do.

QUESTION: Ross Ramsey's my name. I had a firm - consulting firm, which deals with technical regulation almost every day. My question's very simple and that is - it's probably to the whole panel. And that is now do you get

Federal and State regulators to operate a one stop, non overlapping shop? Just as a bit of background, with your permission Chairman, I'd just like to ask the audience - how many people here know somebody's who's been electrocuted by putting a plug in a power point? Well nobody. How many people know a person who's had a heart attack? You needn't answer that one - everybody probably has. I happen to be dealing with something at the moment which involves both State and Federal regulators which involves approval in the radio communications area, the electrical communications area, which will monitor people who are liable to have heart attacks. This is in operation in Europe and the United States and has been for five years. It's taken a year on the radio side in Australia to get it approved. About a year on the health side and now it's bogged down regarding the pins that you put into the power point.

SPEAKER: Moses nominated me.

The most fundamental point I think when it comes to the overlapping and duplication that flows from our Federal structure is that we've got a decent reform process going through COAG. I know that seems very distant from a power point, but we absolutely do need to get the buck passing out of the system. We haven't had any form of co-operative Federalism in this country for the last eight or nine years. I think that that is now - that attitude is now changing both on the part of the State governments and the Federal government. It would be really good to see some real co-operation through COAG in a variety of these areas so that we could start to knock out the duplication. Infrastructure's one area that lends itself to that and Kim Beazley made a series of announcements about that but I can't satisfy you immediately on power points.

SPEAKER: I just have a - and I can't satisfy you either, and I've been thinking about it for some, some months but just as a thought it would be - and I'd like to do - the private sector would like to do a deal with the government and that is either we can take the same attitude to regulation that they take which is well we can't do a regulatory impact statement 'cause it's all a bit hard, well, sorry we couldn't comply with that legislation, we were in a bit of a hurry at the time and that should be a valid excuse.

And the same thing with, you know, sorry but it's not our Department's responsibility that this is the Act, private sector and the Department's responsibility has gone wrong it must be somebody else's responsibility, so we're not accountable for it.

I mean what we'd rather see is that government understands that they're putting these things onto us. If we have these absolute requirements being placed upon us and why aren't similar absolute requirements being placed upon government. Indeed government should be excelling in this area because they should be leading by example. So you should be getting, you know, one stop shops. You should be getting co-ordinated approvals processes within governments because not doing that in the private sector is not acceptable.

ALAN OSTER: Time for one last question?

SPEAKER: I'll just - look - just very quickly on that. I think this is probably, this taskforce that Gary is heading, I think is probably one of the most significant issues for the last decade. I would be utterly amazed if what comes out of this taskforce was not going to COAG. I mean quite simply you can't have one without the other so I assume that, assume they'll both be there.

ALAN OSTER: Okay. Last question?

QUESTION: Tom Skotnicki from *BRW* with a question to Gary. We've heard figures that suggest the cost of regulation are in excess of ten percent of GDP. I'd just ask you to comment on that, whether you think that's an accurate figure or not?

Secondly, what do you think the potential productivity benefits are from reform of regulation and finally whether you think the benefits may be greater than the benefits from IR reform?

SPEAKER: Glad you just threw that one in at the end Tom.

I think, as I said in my presentation. I think the big number's up around ten percent of GDP seem pretty good but I'm not sure what they mean. One of the issues is that you can't have regulation without some compliance cost. I mean you can't have tax regulation for example, without people having to reveal what their income is and so on, so I think there's some [indistinct] reducible minimum so it's very hard to know what those numbers mean. They're not pre-resources available to use somewhere else in the economy. They're certainly not that. That point aside, we've had quite diverse estimates. Sometimes the methodology of the surveys is a bit suspect too. I mean if you were filling out a form of that kind as a small business you'd probably put it on the high side and so on, so it's very hard to know. That's what I said the more powerful information coming forward to this taskforce has been coming from individual firms and someone telling us in some graphic detail in some cases about the sorts of things they have to do in response to particular kinds of regulations. But not withstanding all of that I think, the aggregate cost could be quite significant. Calculating the productivity benefit from that again is quite hard. It's easy to do when you're looking at specific - it's hard enough but looking at more specific reforms. The Commission has done, as you know Tom, done a lot of work looking at the productivity payoff from what was essentially regulatory reform through the, through the '80s and '90s which paid off in the one percentage point boost in productivity growth rate which adds up - has added up to something like you know seven and a half Thousand dollars per household. So that's been very significant. I suspect going forward that there are more gains to be made but they're very subtle ones in the sense that their red tape is actually constraining, diverting resources, and it's very hard to measure in quantitative terms. And I've forgotten your question about IR?

ALAN OSTER: Okay. I'm sure we could be here all afternoon. It's clearly a very important topic and I think everyone's going to be looking forward to seeing what the taskforce is going to come up in terms of its recommendations. All that really remains for me to say is to thank all the members of the panel today for sharing their time and their expertise with us. And I'd just ask everyone to thank them in the usual way.

Thank you.

[Applause]

END * *