



How To Cut Red Tape And Save Billions Lost On Regulation

Publish Date:

June 2018

After years of government red tape reduction programs that have failed to halt the explosion of regulation, it's time for a radical new approach.

Here are five principles the government should follow to dramatically reduce the burden of overregulation currently costing the Australian economy \$176 billion a year: eliminate the need for approvals and replace this with an inspection and reporting regime; embrace market-based solutions; harness the benefits of economic competition; follow subsidiarity by decentralising regulatory authority; minimise interaction with government.

The explosion of regulation at the federal level cannot be denied. Just look at pages of legislation passed by the commonwealth parliament each year. In 1915, just 112 pages of legislation were passed. Fast-forward 50 years, and 1357 pages were passed in 1965. And in 2015 the parliament passed 6453 pages of new law.

That same year the World Economic Forum Global Competitiveness Report ranked Australia 80th



in the world for burden of government regulation.

Australia's red tape problem is now at crisis levels. Our own governments have gradually strangled the economy and, in the process, dashed the hopes and dreams of millions of Australians. They've made it more difficult to start a business, employ people and grow the economy.

The cost of red tape — \$176bn every year in forgone economic output — is equivalent to 11 per cent of GDP, making it Australia's largest industry. It's bigger than the mining industry at 7 per cent, manufacturing at 6 per cent, and agriculture at 2 per cent.

And one of the most disappointing aspects of this is that it could have been avoided while still achieving the objectives of policymakers.

But our past doesn't dictate our future. There is a way to achieve stated regulatory goals without ripping billions of dollars out of the economy every year.

If Australia implemented world's best practice regulation we would grow the economy by \$176bn a year, without sacrificing any of the intended benefits of regulation.

The Institute of Public Affairs' Daniel Wild and Darcy Allen have today released a research paper, "Five principles of red tape reduction", which outlines how governments might achieve this goal.

These are the principles that should inform the government as it goes about the business of cracking down on overregulation. These are the principles that will help to put us back on the path to prosperity.

The first is to eliminate the need for approvals. This would involve the removal of the need for licences and permits currently granted by government. Instead, an obligation would be imposed to self-report in the case of a breach of the law. It could also involve periodic inspections by the - regulator.

This change would see an end to the current one-size-fits-all approach to regulation, and would allow regulators to home in on at-risk industries and businesses. It would also remove the current system of ministerial conditions imposed at the project level.

The second is to embrace market-based solutions. Politicians and regulators often underestimate the ability of businesses and consumers to achieve public policy objectives without the need for government coercion.

One area that would benefit significantly from the implementation of market-based solutions is environmental regulation.

Specifically, native vegetation management is an area ripe for reform. Currently the cost of native vegetation conservation is unfairly borne entirely by farmers and other land owners. An alternative to the existing regime would be to allow conservation groups to purchase land, or pay land holders



for environmental conservation outcomes. This would more accurately reflect the value that various individuals place on environmental amenity and would compensate farmers for the loss of productive land.

The third is to harness the benefits of economic competition. Competition between firms encourages good behaviour and leads to better outcomes for consumers. But competition also helps to achieve public policy objectives.

Public ratings systems, for instance, have had a massive impact on a range of industries, including accommodation and transport. The positive impact that non-government accountability practices have had on personal safety in the use of taxi and ride-sharing services, for instance, is greater than anything a regulator could have dreamt of.

The fourth is to follow subsidiarity by decentralising regulatory authority. In Australia, the seeds of success are sown in the Constitution. Our federated structure of government allows for decentralised decision-making by devolving power from the Commonwealth to the states. Just as competition between firms produces positive results so too does competition between states.

And the fifth principle for reducing red tape is to minimise interaction with government. Of course, the simplest way to achieve this is to reduce the frequency of reporting requirements. Annual rather than quarterly, for instance.

Australia has enormous potential. But red tape is holding us back. A principled approach to cutting red tape is needed to ensure we unleash human potential and get back on the path to prosperity.

Originally published in:

The Australian

Original Link:

<https://www.theaustralian.com.au/business/legal-affairs/how-to-cut-red-tape-and-save-billions-lost-on-regulation/news-story/10deceb4bae6f69a1e8f5cdc4b70d242?csp=a3442da8ecc2473ec058bf39198c15ff>