



## IPA Brings World Leading Red Tape Reduction Approach To Australia

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A new way of measuring and cutting red tape with demonstrated success in the United States and Canada is being promoted in Australia by free market think tank the Institute of Public Affairs. A team of researchers from the Mercatus Center at George Mason University in the United States and RMIT University released a new report “RegData Australia” that provides a new way of measuring red tape and regulatory complexity in Australia.

The report applies a new method of measuring regulation, called RegData, to count the regulatory restrictiveness causes – words and phrases such as “shall”, “may” and “must not” – to measure the regulatory burden.

“This is a revolutionary approach to measuring and cutting red tape which has had tremendous success in Canada and the United States. Governments across Australia should incorporate the RegData method into their red tape reduction and economic reform agendas,” said Daniel Wild, Director of Research with the Institute of Public Affairs.



“RegData can be used to measure the red tape burden, track government progress in reducing red tape, compare the regulatory burden across industries and across states and identify areas of prioritisation for governments,” said Mr Wild.

The working paper focused exclusively on Australian Federal legislation and regulations. The Institute of Public Affairs is now working with the Mercatus Center to extend the analysis to Australian States and Territories.

After Prime Minister Morrison’s recent speech in Perth to the WA Chamber of Commerce and Industry outlining cutting red tape as a key economic agenda, it is hoped that the Federal Government and State governments will be able to use this method as part of red tape reduction processes.

“Measuring the amount of regulation accurately has been elusive – and this has been a real problem for Australian policy makers. RegData places regulation under the microscope,” said report co-author Jason Potts, Professor of Economics at RMIT University and Adjunct Fellow at the Institute of Public Affairs.

“Historically, estimates of Australian regulation have relied on page counts or word counts of legislation and regulatory instruments. Both of these measures are limited. Page counts may not be accurate because the formatting of legislation has changed over time, while word counts often include extraneous material. By contrast, the RegData method counts the number of ‘restrictive clauses’ or keywords – ‘shall,’ ‘must,’ ‘should’ and ‘prohibited’ – to more accurately measure constraints on individuals, businesses, and governments,” explained Professor Potts.

“This is a project of international significance. The extension of RegData to Australia is the first step in building a global open-access database of comparable regulatory measures,” said co-author Patrick McLaughlin, Director of Policy Analytics and Senior Fellow at the Mercatus Center at George Mason University.

“RegData was first developed for the United States in 2012, intended as an [open-access research protocol](#). RegData uses machine-learning-based textual analysis of the United States Code of Federal Regulations. In this working paper, we have extended the RegData method to Australia,” said Mr McLaughlin.

“In this working paper, we provide the first long-run time-series measure of the size and strength of regulation in Australia. This includes 1,800 Commonwealth Acts and 870 separate Commonwealth regulations. An interesting finding is that the number of words per restrictive clauses in Australian legislation is growing – doubling since 1975. In addition, in comparing Australia with 21 US states, it appears that there is a positive correlation between population and regulatory restrictions,” said Dr McLaughlin.

Previous IPA research estimated that red tape costs the Australian economy \$176 billion each year in lost economic output, which is approximately 10 per cent of GDP. This makes red tape



Australia's biggest industry.

The report shows an explosion in the extent of regulation in Australia:

- The number of regulatory restrictions increased from around 2,000 in the late 1970s to 95,000 in 2015.
- The extent of regulation is approximately 20 per cent higher than in the United States on a per capita basis.
- Regulation in Australia has become substantially more complex and wordy. In 1975, legislation contained around 100 words for every single restriction clause. In 2015 that had increased to 180 words.

**Download the report on Cutting Red Tape: Regdata Applications in North America [here](#).**

**Download the working paper on RegData: Australia [here](#).**