

TEN RED TAPE INITIATIVES FOR THE NEXT AUSTRALIAN GOVERNMENT

OCCASIONAL PAPER

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CUT RED TAPE TO

UNLEASH  PROSPERITY

Executive Summary

The Australian economy is shackled by red tape. Poorly designed and low quality red tape stifles growth, suppresses entrepreneurship and hinders our international competitiveness. Cutting red tape at all levels of government is now our only solution. However, both sides of federal politics are yet to make a clear comprehensive commitment to cut red tape.

In this short paper we propose ten red tape initiatives for the next Australian government. Committing to and implementing these initiatives represent the core of an economic agenda. Recent Institute of Public Affairs (IPA) research estimated that red tape costs Australia \$176 billion every year in foregone economic output.

Understanding that the only way to unleash this prosperity is by cutting red tape, the IPA urges the next Australian government to:

- 1** Dedicate one full week of parliamentary sitting days to repealing red tape.
- 2** Benchmark red tape reduction on the number of 'regulatory obligations' rather than arbitrary cost measures.
- 3** Commit to a '1-in-5-out' regulatory obligations requirement.
- 4** Estimate of the costs of public administration of red tape and the costs imposed on governments themselves.
- 5** Develop a more open regulatory costing process.
- 6** Commit to a Productivity Commission independent assessment into red tape progress across all Australian jurisdictions.
- 7** Introduce red tape 'open days' to facilitate engagement between business and government.
- 8** Utilise COAG to seek mutual recognition of requirements between jurisdictions.
- 9** Commit to implementing the remaining recommendations of the Belcher review relating to whole-of-government red tape.
- 10** Assign a clearly responsible and accountable Ministerial position for overseeing the above red tape reduction initiatives, with the potential for performance-based remuneration.

Introduction

Red tape is holding the Australian economy back—slowing growth, dampening entrepreneurship and stifling enterprise.

Recent research by the Institute of Public Affairs estimated red tape costs Australia \$176 billion every year in forgone economic output.¹ That's more than we pay each year in income tax (\$166 billion). At 11 per cent of GDP red tape represents a larger proportion of the economy than mining (7 per cent), manufacturing (6 per cent) and agriculture (2 per cent).

Australia has just experienced 25 years of unbroken economic growth. However there are indications that the global economic headwinds are picking up. Additionally, Australia has one of the fastest growing gross public debts in the world—soon exceeding \$500 billion.

In times of prosperity businesses may be able to absorb the cost of red tape, but as our economy slows it becomes imperative that the next Australian government centres their economic agenda on cutting red tape.

Only by cutting unnecessary red tape can we shift business resources away from unproductive compliance towards productive entrepreneurship.

Cutting red tape isn't easy. Part of the problem is that red tape is dispersed over many levels of government and across every industry. Much of the accumulated problem of red tape comes from duplication and complexity that in isolation appears insignificant, but that adds up to a huge drain on our economic growth.

Additionally, the Australian government should draw lessons from successful red tape initiatives across the globe.

No matter how challenging the process of cutting red tape appears, successive federal governments over the previous 10 years have at least committed to a red tape reduction plan. In 2013, for instance, the then coalition government set up a red tape reduction agenda including various new procedures.

Red tape repeal days are one example of a regulatory reform. And while the success of such days are highly questionable—much of the repealed legislation was redundant—they were scrapped earlier this year in favour of annual reports. Red tape repeal days at least paid lip service to our red tape problem, and kept pressure on individual Ministers and their Departments to identify redundant and unnecessary red tape.

However, as the 2016 election approaches the political will for deregulation in Australia is all but lost. There has been almost no mention of red tape throughout the election.

In this paper we outline ten red tape initiatives for the next Australian government. From new red tape repeal sitting weeks, to new targets and benchmarks, and understanding previous reviews, the next Australian government should commit to these ten initiatives if they wish to set Australia on a strong economic foundation by cutting red tape to unleash prosperity.

¹ Novak, M. (2016) The \$176 billion tax on our prosperity, Institute of Public Affairs Occasional Paper, May 2016. <http://www.ipacutredtape.org.au/wp-content/uploads/2016/05/The-176-Billion-Tax-On-Our-Prosperty.pdf>

Ten Red Tape Initiatives

1 Introduce a Red Tape Repeal Sitting Week.

One mechanism to reduce the stock of the over 103,000 pages of Commonwealth legislation is dedicating parliamentary sitting time to repealing redundant and unnecessary red tape.

The Institute of Public Affairs recommends that the government not only reinstates the previous red tape repeal days initiative, yet extends the time frame to an annual Red Tape Repeal Week. While the success of such an initiative has been questionable, a public commitment to repealing unnecessary red tape is needed.

Such a large portion of sitting time is neither excessive nor unprecedented. For instance in 2015 Western Australia adopted a red tape repeal week as part of their #ShredTheRed campaign.²

2 Create a new benchmark of 'regulatory requirements'.

The first step in any red tape reduction plan is to create a benchmark off which to judge success or failure.³ However, a focus on dollar costings of red tape burden—which are generally calculated by the portfolios themselves—is prone to error and is highly ambiguous.

Rather, one effective method is to benchmark the number of regulatory requirements imposed by governments on the citizenry.

The Institute of Public Affairs recommends that the next Australian government requires all portfolios to estimate the number of times they required an action or step from the public.

Such a measure means regulatory reduction approaches are more easily updated, understood and transparent than regulatory costings.

This successful strategy was applied in British Columbia, Canada, which saw a period of a remarkable 43 per cent reduction in regulatory requirements.⁴

² Government of Western Australia (2015) Red Tape Reduction Repeal Card. Available at: https://www.finance.wa.gov.au/cms/uploadedFiles/Economic_Reform/Reducing_Red_Tape/Report-card.pdf

³ Note that the government's current approach stems back to 2014 when they estimated the cost of compliance on the Australian economy at \$65 billion per annum through stratified sampling of compliance costings of the portfolios. An alternative methodology was recently employed by the Institute of Public Affairs. That research used an index devised by the World Bank and also a methodology employed in the United States to determine the economic output forgone due to poor and low quality regulation below. We estimated that red tape costs the Australian economy approximately \$176 billion every year.

⁴ Jones, L (2015) Cutting Red Tape in Canada: A Regulatory Reform Model for the United States, Mercatus Research, Mercatus Centre at George Mason University, Arlington, November 2015. Available at: <http://mercatus.org/sites/default/files/Jones-Reg-Reform-British-Columbia.pdf>

Ten Red Tape Initiatives

3 Set a new bipartisan red tape reduction target of '1-in-5-out' regulatory requirements.

Following the development of a 'regulatory requirements' benchmark described above the next Australian government should seek bipartisan support for a new '1-in-5-out' regulatory reduction target.

This reveals the benefit of the new granulated regulatory requirements measure to be able to tailor more ambitious goals. Such an approach not only helps curb the flow of new red tape, but also removes some of the stock.

This target requires greater consideration by policymakers of the number of obligations they are placing on citizens. In addition, a hard red tape reduction target forces discipline and a cultural change within regulators.

4 Undertake a transparent costing of direct administration and financial costs of government departments including red tape imposed on government itself.

The next Australian government should undertake a costing of the direct costs of government departments dedicated to administering red tape.

The \$65 billion dollar stocktake of government costs in 2014 only included the compliance costs of regulation imposed on the public.

The government should also calculate the costs of red tape within government itself, particularly between different levels of government.

In addition, governments should set a 25 per cent reduction target on these costings.

5 Develop a more open regulatory costing process.

Australia currently employs a Regulatory Impact Statement (RIS) process which is designed to both make policymakers think about their impact on the community, and to design regulatory systems which reduce the burden of regulation.

While all RIS are placed publically online the length and complexity of some RIS are unnecessarily opaque.

The Institute of Public Affairs recommends the requirement of a plain English fact sheet for regulatory impact costings to be released in addition to RIS. The fact sheet should describe precisely how costs are calculated and include any limitations to those costs.

Ten Red Tape Initiatives

In addition, the government should champion an open source process where individuals, businesses and stakeholders can question, comment, criticise and challenge such costings.

Such a process would create a more open regulatory impact costings process.

6 Commit to a Productivity Commission independent assessment.

The next Australian government should commit to an independent assessment of the performance of red tape reduction strategies jurisdiction by jurisdiction in Australia to understand the true economic impact and whether they have resulted in easing the burden on business, individuals and the community.

In late 2013, the Abbott Government committed to an economic assessment of their deregulation agenda within three years by the Productivity Commission or similar body.

At the state level, a recent report by the Victorian Auditor-General also called for evaluation of red tape reduction strategies in that state.⁵

7 Implement red tape open days.

One of the most telling aspects about our red tape problem is the lack of collaboration between those creating red tape and those feeling the burden of red tape.

As bureaucrats continue to increase the burden of red tape, the real human cost of red tape simply isn't told.

The Institute of Public Affairs recommends the introduction of red tape open days where Ministers and Parliamentary Secretaries can more effectively engage with stakeholders relating to red tape reduction reforms.

This follows a suggestion within the Federal Government's Red Tape review which suggested themed red tape reduction days as it would result in *"...more effective use of existing and alternative processes (which) will help to minimise consultation fatigue, particularly in large portfolios."*

⁵ Victorian Auditor General's Report (2016) Reducing the Burden of Red Tape, May 2016. Available at: <http://www.audit.vic.gov.au/publications/20160525-Red-Tape/20160525-Red-Tape.pdf>

Ten Red Tape Initiatives

8 Utilise COAG to seek mutual recognition of requirements between jurisdictions.

Despite a ‘*seamless national economy*’ being a key part of the COAG reform agenda, very few red tape reduction strategies have actually been undertaken by COAG since 2012.

Commonwealth, State and Territory Treasurers are currently developing a new reform agreement on competition and enhancing productivity, which will be considered at the next meeting of COAG.

While a process of competitive federalism is fundamental to Australia, there is a significant amount of red tape in, for instance, duplicative licenses and permits across jurisdictions.

The next Commonwealth Government should utilise COAG as a forum to seek mutual recognition of approvals and permits across jurisdictions in order to cut red tape burden for businesses operating in multiple jurisdictions.

9 Commit to implementing the remaining recommendations in the Belcher Review

The Belcher Review focuses on a whole-of-government approach to regulatory reduction including the efficiency gains within government.⁶

The Institute of Public Affairs recommends that the government commits to acting upon the remaining recommendations set out in the Belcher Review, including those that require government consideration.

In addition, the IPA recommends that the next government ensures that once these recommendations have been enacted that they are independently assessed, as outlined in Section 6 (above).

10 Appoint a Minister for cutting red tape with the potential for performance-based remuneration.

Both sides of government should commit to appointing one Minister responsible and accountable for overseeing the red tape reduction strategy outlined above. Labor is yet to commit to a deregulation or red tape minister.

Appointing such a Minister would not only demonstrate political consistency, but also provide an indication to Australian businesses that the government recognises and is attempting to ameliorate our red tape challenge.

In addition, governments should consider implementing performance-based remuneration for the Minister for Cutting Red Tape, in order to incentivise the hard decisions necessary for cutting red tape and unleashing Australia’s prosperity.

⁶ Belcher, B. (2015) Independent Review of Whole-of-Government Internal Regulation: Report to the Secretaries Committee on Transformation. August 2015. Available at: <http://www.finance.gov.au/sites/default/files/independent-review-of-whole-of-government-internal-regulation-volume-1.pdf>



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