

From the desk of Daniel Wild, Research Fellow

Red Tape Committee
Department of the Senate
PO Box 6100
Canberra ACT 2600

Re: Policy and Processes to Limit and Reduce Red Tape

Committee Secretary

Thank you for the opportunity to provide input into the Red Tape Committee's inquiry into policies and processes to limit and reduce red tape.

Red tape is the single biggest barrier to economic opportunity and prosperity in Australia. Each year red tape reduces economic output by \$176 billion, which is around 10 per cent of GDP. This represents all of the businesses which are never started, the jobs never created, and the pay rises which never materialise because of red tape.

Red tape is one of the key causes behind low rates of private business investment in Australia, which currently sits at just 11.8 per cent of GDP. This is lower than the rate that prevailed during the economically-hostile Whitlam years. Low business investment is in turn a key cause of slow wages growth, which has been stagnant in the private sector in real terms for the past three years.

The Institute of Public Affairs (IPA) believes the best way to reduce red tape is to implement structural mechanisms that constrain the ability of government to expand regulation. The best approach to achieving this is through what is known as a "one-in-two-out" approach to regulatory reduction. This means that for every one new regulation (or regulatory restrictiveness clause) implemented, two must be repealed. Regulatory restrictiveness clause refers to terms in legislation such as "cannot" or "shall not".

The Canadian province of British Columbia has had great success using the one in two out approach with regulatory restrictiveness clauses. Since 2001, the government of British Columbia has cut red tape by 48 per cent, scrapping more than 160,000 individual regulatory requirements. This has seen British Columbia go from being one of the worst to one of the best performing provinces in Canada.

More recently, US President Donald Trump's one-in-two-out executive order — signed eighteen months ago — vastly exceeded its target, taking out 22 old regulations for every new one introduced. This has seen GDP growth accelerate, and unemployment fall to the lowest rate in years.

In 2017, the IPA released a report *Reducing Red Tape in Australia: "One in, two out" Rule*. That report estimated that if the Federal Coalition Government had implemented a one-in-two-out rule from September 2013 there would have been 107,885 fewer pages of regulation and 6,990 fewer rules by May 2017. The report is enclosed.

Representatives of the IPA would be more than happy to provide further information as required, or to appear before the Committee to provide evidence in person.

Thank you and kind regards,

Daniel Wild
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