



# The Coalition's Policy to Boost Productivity and Reduce Regulation

July 2013

## Key Points

The Coalition is committed to building a stronger, more productive and diverse economy with lower taxes, more efficient government and more competitive businesses.

We will do so by reducing the regulatory burden that is strangling Australia's economic prosperity and development.

The Coalition has spent the last 18 months consulting widely with businesses, industry representatives and not-for-profit organisations across Australia.

We have sought to understand the practical regulatory burdens that organisations face.

In response, we have developed a plan of action that will reduce this burden.

The feedback provided to the Coalition has been clear and consistent: Australia is struggling under a heavy burden of regulation and the fear of more to come.

The Coalition considers that regulation should only be imposed where absolutely necessary and should not be the default position in dealing with public policy issues.

The Coalition's commitment is to reduce the red and green tape cost burden imposed on the Australian economy by \$1 billion per year.

The Coalition will cut excessive regulation by reforming the process by which new regulations are created, implemented and reviewed.

We will repeal or amend costly and excessive regulations from the existing stock and we will implement sensible whole-of-government initiatives that will assist in reducing red and green tape.



## The Coalition's Action Plan to Boost Productivity and Reduce Regulation

The Coalition will reduce the regulatory burden for individuals, businesses and community organisations by establishing and meeting a red and green tape reduction target of at least \$1 billion a year.

We will provide incentives to drive the public service to cut red and green tape, such as linking remuneration of Senior Executive Service public servants (including future pay increases and bonuses) to quantified and proven reductions in regulation.

We will set aside at least two parliamentary sitting days each year for the express purpose of repealing counterproductive, unnecessary or redundant legislation and consequently removing associated regulations.

The deregulation function of the Department of Finance will be relocated to a new unit within the Department of the Prime Minister and Cabinet, which will make it very clear that reducing red and green tape will be part of a whole of government approach.

All Cabinet submissions will require a Regulatory Impact Statement.

The Coalition will establish Ministerial Advisory Councils for each Cabinet Minister to ensure proper consultation.

We intend to make deregulation and red tape reduction a standing agenda item at COAG meetings.

The Minister Assisting the Prime Minister for Deregulation will table an annual red tape reduction report in Parliament.

We will establish a centralised register of Commonwealth contract and grant recipients administered by the Department of Finance and we will adopt a common form contract encapsulating common terms and conditions for all Commonwealth departments, agencies and service providers.



The Coalition will also develop efficiency performance standards against which government cost recovery agencies will be assessed.

The Coalition's commitment to abolish the carbon tax will lift a \$9 billion a year tax burden from Australian businesses and households, result in the removal of 19 separate Acts and 1,100 pages of legislation, and unwind Labor's sprawling climate change bureaucracy.

The Coalition's abolition of the Minerals Resource Rent Tax will result in the repeal of 11 separate Acts and 525 pages of legislation.

Small business will be given the option to remit compulsory superannuation payments made on behalf of workers directly to the Australian Taxation Office.

The Coalition will reduce the red tape burden on business of paid parental leave, as our scheme will be administered by the Commonwealth Government's Family Assistance Office rather than individual businesses.

We will streamline the grant application process and simplify the way the National Health and Medical Research Council (NHMRC) assesses research grants to make grant applications easier and ensure scientists don't waste effort on burdensome paperwork.

We will establish a one-stop shop for environmental approvals.

The Coalition will establish an audit of all environmental legislation and regulation, to work with the states to identify unworkable, contradictory or incompatible 'green tape.'

Workers, business and the economy will be better off under *The Coalition's Policy to Boost Productivity and Reduce Regulation*.



## Introduction

The Coalition is committed to delivering a strong, prosperous economy that is productive and globally competitive. The Coalition will seek to give businesses the flexibility, certainty and confidence they need to innovate and adapt to globally competitive markets.

Labor's regulatory programme has imposed unnecessary red and green tape cost burdens by creating new regulations without removing equivalent costs from the system.

As a result, Australian businesses have experienced ever increasing costs and falling productivity, resulting in diminished international competitiveness and higher domestic prices – outcomes that provide perverse incentives for some businesses to relocate offshore.

Some degree of regulation is, of course, a necessary and desirable component of establishing efficient markets and harmonious communities that promote substantial positive benefits for society as a whole. But excessive red tape can detract from productivity and ultimately lower the standard of living of all Australians.

Boosting productivity and reducing the burden of regulation is critical to making Australian businesses, entrepreneurs and workers better off.

Reducing regulation will make our economy more competitive, provide greater incentives for job creation and real wage growth and contribute to the higher living standards Australians deserve in the 21<sup>st</sup> century.

In the wake of Labor's damaging regulatory agenda, businesses and not-for-profit organisations have sounded the alarm over the burden of red and green tape and the fear of more to come. Organisations across the economy have consistently called for regulatory reform to reduce the confidence-sapping impact of red and green tape.

Workers, business and the economy will be better off under *The Coalition's Policy to Boost Productivity and Reduce Regulation*.



## Coalition Deregulation Taskforce

In response to these calls, the Hon Tony Abbott MHR, Leader of the Opposition, formed the Coalition Deregulation Taskforce (the Taskforce) on 1 December 2011, with the purpose of:

- gathering evidence of over-regulation, unnecessary red and green tape and compliance burdens for individuals, community organisations and businesses around the country; and
- reporting on some of the ways to achieve the Coalition's red and green tape reduction target of \$1 billion every year.

The Taskforce, chaired by Shadow Parliamentary Secretary to the Leader of the Opposition, Senator Arthur Sinodinos AO, with the Member for Higgins, Ms Kelly O'Dwyer MP and Senator David Bushby as Deputy Chairs, consulted widely with businesses, industry and community organisations on the scope of the current regulatory burden and options to reduce regulatory uncertainty.

The Taskforce held discussions with over 180 organisations and received nearly one hundred formal written submissions in response to its initial round of consultations.

## Coalition Deregulation Reform Discussion Paper

The work of the Taskforce culminated in the release of *The Coalition's Deregulation Reform Discussion Paper* (the Discussion Paper) on 2 November 2012 by the Leader of the Opposition, the Hon Tony Abbott MHR.

The submissions received in response to the Discussion Paper reflect broad support for the reform options outlined in the Discussion Paper and provided many additional policy suggestions.

Accordingly, *The Coalition's Policy to Boost Productivity and Reduce Regulation* largely reflects the proposals and options canvassed in the Discussion Paper.

Our policy clearly outlines the Coalition's systematic, whole-of-government framework for reducing the burden of red and green tape.

The Coalition will be making further specific portfolio policy announcements aimed at reducing red and green tape in the lead-up to the 2013 election.



## Background

The Coalition acknowledges that some degree of regulation is a desirable and essential element of efficient markets, productive industries and harmonious communities.

However, excessive and unnecessary regulation reduces productivity and investment, stifles job creation, creates uncertainty and saps confidence.

The Productivity Commission estimates that reducing the burden of unnecessary regulation could generate as much as \$12 billion in additional gross domestic product per year.

Achieving a reduction in regulation across the economy represents an enormous opportunity to increase Australia's productivity and competitiveness.

Reducing red and green tape is a key plank in the Coalition's commitment to deliver a strong, prosperous economy that is more productive and well placed to compete globally.

We believe that delivering a reduction in regulation will be critical to ensuring Australia's economic prosperity and development so that Australians continue to enjoy increased living standards.

### The impact of red tape on Australia's productivity and competitiveness

The Australian economy is drowning under the burden of red and green tape. This detrimentally impacts on Australia's productivity performance and international competitiveness.

Excess regulation has undoubtedly contributed to the fall in Australia's productivity. Since July 2007, multi-factor productivity in Australia has fallen by three per cent.

The detrimental implications of red and green tape are exacerbating cost of living pressures and job security concerns – issues that Australian families and businesses face daily.

As more Australian businesses face global competition, Australian businesses and their employees need to find ways of working smarter to produce high quality goods and services at globally competitive prices.



The removal of unnecessary red and green tape obstacles that exacerbate costs without achieving well-considered public policy objectives will be critical to unleashing Australia's economic potential.

### **Labor's approach to productivity and regulatory reform is failing**

Labor has failed to implement a regulatory reform agenda that promotes economic growth, productivity and competitiveness. Under Labor, GDP per person has grown at just one third of the rate achieved under the Howard Government.

In April 2007, Kevin Rudd and Labor promised to lift Australia's productivity performance by implementing a 'one regulation in, one regulation out' policy. Instead, productivity has fallen, Labor has added over 21,000 new regulations and repealed 105.

Over the last five years, Labor imposed unnecessary new regulatory costs on businesses and not-for-profit organisations without removing equivalent costs.

Labor's failed approach to regulation was confirmed by an October 2012 Australian Chamber of Commerce and Industry (ACCI) National Red Tape Survey. The ACCI surveyed 870 businesses across all States and Territories and found that:

- 73.1 per cent of businesses believed that the overall regulatory compliance burden had increased in the past two years;
- 60 per cent of businesses spent more than \$5,000 per annum directly on costs related to regulatory requirements (and more than 16 per cent spent more than \$50,000 per annum); and
- more than half of businesses believed regulatory compliance prevented business growth.

Box 1 overleaf provides further evidence of how Labor's red and green tape agenda has adversely impacted the Australian economy and its international standing and competitiveness.

### **Labor has increased the regulatory burden**

Labor's approach to regulatory reform has failed.

Labor simply does not have its heart in the task of reducing the regulatory burden. In fact, Labor has sought to re-regulate the economy in many key sectors.





Labor's intention has been to put government at the centre of the economy. Rather than considering all possible options and their associated costs and benefits, Labor's natural instincts have led them to use regulation as a first resort to resolve what in many instances were non-existent problems.

### **BOX 1 – THE IMPACT OF LABOR'S EXCESSIVE RED AND GREEN TAPE ON AUSTRALIA'S COMPETITIVENESS**

Australia's competitiveness is going backward.

According to the latest Australian Bureau of Statistics (ABS) data, multi-factor productivity (assessed using quality adjusted hours worked) fell by three per cent in Australia from July 2007 to June 2012.

A study by the Economist Intelligence Unit in August 2012 ranked Australia as the second worst of 51 countries for productivity growth, ahead only of Botswana.

Australia's ranking has declined from 7<sup>th</sup> in 2008 to 15<sup>th</sup> in 2012 in IMD's World Competitiveness Yearbook.

The Business Council of Australia found that the cost of doing business in Australia's resources sector is between 30 to 50 per cent higher than in competing jurisdictions in the Asia-Pacific region.

Despite now having the world's 12<sup>th</sup> largest economy, Australia has fallen to 20<sup>th</sup> on the World Economic Forum's Global Competitiveness Index, placing us well behind major competitors like the US, Japan, Singapore, the UK, Canada and Hong Kong, as well as economies such as Germany, Denmark, Saudi Arabia and Qatar.

Moreover, the World Economic Forum's Global Competitiveness Index reports that Australia has:

- slumped in pay and productivity from 40<sup>th</sup> in 2007-08 to 80<sup>th</sup> in 2012-13;
- slumped in the burden of government regulation from 68<sup>th</sup> in 2007-08 to 96<sup>th</sup> in 2012-13;
- slumped in extent and effect of taxation from 75<sup>th</sup> in 2007-08 to 103<sup>rd</sup> in 2012-13; and
- slumped in terms of transparency of government policymaking from 12<sup>th</sup> in 2007-08 to 29<sup>th</sup> in 2012-13.

Over the past 18 months the Coalition has, through the work of the Coalition Deregulation Taskforce, identified many examples of excessive red and green tape across the economy.

Box 2 highlights several of these examples.



## **BOX 2 – EXAMPLES OF EXCESSIVE RED AND GREEN TAPE**

### **Early Education and Childcare**

The National Childcare Law is almost 180 pages, plus an additional 345 pages of regulations and 1149 pages of guidelines.

The National Childcare Law requires every childcare worker to have an official qualification from 2014. In practice this will see experienced workers (with 15-25 years in the industry) without the necessary certification jobless.

The excessive regulatory burden is particularly evident in the requirement to have learning journals for every child, documenting what they have learned or experienced from a particular activity.

Where centres do not adhere to regulations, they could face massive fines.

Providers are telling us that medium sized centres are dedicating one full time position to office administration, as well as staff on the floor are often taking work home.

### **Higher Education and Research**

Universities typically have regulatory compliance departments with 15 to 20 or more staff dedicated to ensuring compliance with over 100 separate State and Federal Acts.

A typical university is required to submit over 50 different data sets to the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education annually. Universities incur direct regulatory compliance costs estimated to be at least \$3 million per university or \$120 million for the sector per annum.

According to research undertaken at the Queensland University of Technology, in 2012 Australian scientists spent an astounding 500 years of cumulative time, or \$66 million of annual salary costs, on preparing grant applications to the NHMRC of which only 20 per cent were successful in obtaining approval.

### **Health**

In 2011, the AMA conducted a survey of GPs to determine how much of a problem red tape was in their daily medical practice. The study found that 98 per cent of GPs partially or totally agreed that red tape was a significant concern for them (or in the language of the survey, it gave them a 'red tape headache') with a large number of respondents stating they spent up to nine hours or more each week completing red tape obligations.

One submission to the Coalition Deregulation Taskforce provided the following anecdotal evidence:



"Currently in Australia it can potentially take 50 months or more to take some classes of new medical device through TGA registration, Medical Service Advisory Committee evaluation for a Medicare Code and Prostheses Listing for private reimbursement.

In addition, the costs to get through this process can top \$250,000 for the company bringing the product to market, which does not include internal resources."

### **Employment Services**

Job Services Australia providers are required to diarise the content of each meeting they have with a job seeker. This, according to the providers, often takes longer than the actual meeting with the job seeker themselves.

### **Indigenous Service Delivery**

There are more than 200 Indigenous-related programmes administered by 17 Commonwealth agencies. Each programme has its own application forms and processes.

The Australian National Audit Office's 2012 review of Indigenous service delivery found that "the extent of administration that is associated with individual funding agreements – from the funding application process through to operational plans and reporting requirements – can create a high administration load for organisations, limiting the utilisation of existing capacity for the actual delivery of programs and services."

### **Mining**

The Business Council of Australia often refers to a resource development project that required 4,000 meetings and a 12,000 page report before approval was granted. Ultimately, 1,200 State and 300 Commonwealth conditions were placed on the project.

According to the Minerals Council of Australia the average Australian thermal coal project is now delayed by an additional 1.3 years relative to projects in competitor countries (3.1 years compared with 1.8 years internationally).

Each year, the average delay increases by a further three to four months.

### **Charities**

The Australian Conservation Foundation has said that the Government's Australian Charities and Not-for-Profit Commission "will duplicate reporting obligations."

Mission Australia has stated the Government's changes to the sector are "not sufficiently well balanced by a commitment to enable the not-for-profit sector to reduce duplication of reporting and to provide public confidence in the sector." The Housing Industry Association has said that "the proposed provisions will increase regulatory costs and compliance without any public or private benefit."



## Labor has avoided Regulation Impact Statements

Labor has failed to follow its own rules regarding the use of Regulation Impact Statements.

Under Labor's own rules,<sup>1</sup> government departments and agencies are required to prepare Regulation Impact Statements for regulatory proposals that are "likely to have a regulatory impact on business or the not-for-profit sector, unless that impact is of a minor or machinery nature and does not substantially alter existing arrangements."<sup>2</sup>

According to the Government's own figures, Labor has, on average, a lower rate of compliance with the regulatory impact assessment requirements than the Howard Government. This includes the use of the Prime Minister's power to grant exemptions in exceptional circumstances.

In numerous cases – including the Mineral Resources Rent Tax (Mining Tax), the Fair Work industrial relations system, the National Broadband Network, the Future of Financial Advice changes and the suspension of live cattle exports to Indonesia – the Prime Minister granted an exemption due to alleged exceptional circumstances without providing any justification.

Failure to require a regulatory impact statement was done in order to avoid subjecting these policies to a rigorous regulatory impact analysis, which the Coalition believes would in all likelihood have indicated that the costs of implementing the policy exceeded the benefits.

Generous use of Prime Ministerial exemptions or outright non-compliance has meant that Labor's Cabinet Ministers have made significant regulatory decisions of national consequence without knowing the potential consequences of these decisions.

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<sup>1</sup> See statements to Parliament by the Minister for Finance and Deregulation, Senator the Hon Penny Wong on 20 October 2010 and former Minister, the Hon Lindsay Tanner on 17 March 2008 confirming Labor's commitment to adhere to the procedures and processes outlined in the Best Practice Regulation Handbook.

<sup>2</sup> Office of Best Practice Regulation Handbook.



## The Borthwick-Milliner Review

Labor's performance on regulatory management was recently criticised in a self-initiated review.

The Borthwick-Milliner review<sup>3</sup> was “tasked to assess the extent to which the Government's Best Practice Regulation Handbook and its interpretation and administration by the Office of Best Practice Regulation (OBPR) were consistent with the Organisation for Economic Cooperation and Development's (OECD) guiding principles for regulatory quality and performance.”<sup>4</sup>

The review found that:

- “a widespread lack of acceptance of and commitment by ministers and agencies” was the most significant barrier to improving these Regulation Impact Assessment processes;<sup>5</sup>
- the Government failed to implement many recommendations of previous independent reviews designed to improve regulatory processes; and
- there was “considerable dissatisfaction and frustration” amongst business and the not-for-profit sector with the way in which the Government currently applies regulatory impact analysis.

The Coalition considers that regulation should only be imposed where absolutely necessary and should not be the default position in dealing with public policy issues.

Our fundamental commitment is to reduce the red tape cost burden imposed on the Australian economy by \$1 billion per year.

The Coalition will cut excessive red and green tape by reforming the process by which new regulations are created, implemented and reviewed.

We will repeal or amend costly and excessive regulations from the existing stock and we will implement sensible whole-of-government initiatives that will assist in reducing red and green tape.

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<sup>3</sup> Borthwick, D., and Milliner, R., (2012), “Independent Review of the Australian Government's Regulatory Impact Analysis Process”, Department of Finance and Deregulation, Commonwealth of Australia Government, Canberra.

<sup>4</sup> Commonwealth Department of Finance and Deregulation (2012), <http://www.finance.gov.au/deregulation/riareview.html>

<sup>5</sup> Borthwick, D., and Milliner, R., (2012), “Independent Review of the Australian Government's Regulatory Impact Analysis Process”, Department of Finance and Deregulation, Commonwealth of Australia Government, Canberra, p. 9.



# The Coalition's Policy Measures to Boost Productivity and Reduce Regulation

The Coalition understands that a radically different approach is needed to address the constant growth in the size and scope of government regulation that is harming Australia's productivity and competitiveness.

In order to lift Australia's productivity performance, the Coalition announced in its *Real Solutions* plan that cutting red and green tape is one of our central policy objectives.

We are the only ones capable of delivering the genuine regulatory reform that the Australian economy needs. We believe that Australian entrepreneurs and workers should be given the flexibility they need to produce high quality goods and services that will maximise economic prosperity.

The Coalition believes that regulation should only be imposed where absolutely necessary and should not be the default response to dealing with public policy issues.

Cutting red and green tape involves not only removing costly regulatory hurdles, but also requires the reform of existing regulatory processes. Government departments and agencies need to be provided with the right mix of incentives and controls to improve the quality of regulation that is developed, enforced, monitored and ultimately reviewed.

## 1. Reduce red and green tape by \$1 billion annually

The Coalition will reduce the regulatory burden for individuals, businesses and community organisations by establishing and meeting a red and green tape reduction target of at least \$1 billion a year.

This red and green tape reduction target will drive the Coalition's regulatory reform agenda and will be the yardstick by which a future Coalition government will measure its progress.

The Coalition will adopt a methodology to calculating the cost of regulation that will be used throughout government departments and agencies. We will use the approach adopted by Victoria as a model.

We will hold ourselves accountable to this target by conducting regular audits that measure our progress against this target.



## 2. Provide incentives to drive the public service to cut red and green tape

Meaningful reductions in red and green tape can best be achieved if appropriate and effective incentive mechanisms are put in place for the Ministers and officials responsible for reducing regulations over time.

Measures to reduce red and green tape should be accompanied by incentives to curb the number of new regulations introduced.

The Coalition will:

- require each department and agency, within existing resources, to create a dedicated unit (led by a publicly identified departmental official of at least SES1 or higher) that is responsible to the Secretary and charged with driving red and green tape reduction;
- require each department and agency to audit and quantify, within existing resources, the cost to business and individuals of complying with the regulations administered by the department and agency, within no more than 12 months;
- require each department and agency, within existing resources, to reduce red and green tape every year, for this reduction to be recorded in annual reports and annually reported to the relevant Minister and the Minister Assisting the Prime Minister for Deregulation;
- introduce specific regulatory performance targets for each Secretary, which will include quantified reductions in red and green tape (measured by both the number of regulations cut and the reduction in red and green tape costs imposed on business or the community);
- link remuneration of Senior Executive Service (SES) public servants, including future pay increases and bonuses, to quantified and proven reductions in red and green tape; and
- make the meeting of annual red and green tape reduction targets a key performance criterion to be considered in determining the re-appointment of departmental Secretaries.



### 3. Dedicate parliamentary sitting days for the repeal of regulation

The Coalition will set aside at least two parliamentary sitting days each year (one in the autumn session and one in the spring session – excluding time needed to repeal the carbon tax and associated regulations) for the express purpose of repealing counterproductive, unnecessary or redundant legislation and consequently removing associated regulations.

The use of repeal days will not only focus on redundant or obsolete items of legislation, but also on legislation and regulations that the Coalition will seek to remove as a result of policy changes, such as the carbon tax.

#### BOX 3 – REPEAL DAYS

The use of parliamentary sitting days for the repeal of legislation and regulation has been used in other jurisdictions to repeal redundant or unnecessary legislation.

##### **Western Australia**

On 8 November 2012, the Western Australian Government held its first repeal day, which was used to repeal five acts from the statute book. The concept developed by the West Australian Government was loosely based on the corrections calendar procedure in the United States House of Representatives.

##### **United States**

The United States House of Representatives holds repeal days otherwise known as the Corrections Calendar. The Corrections Calendar is in order the second and fourth Tuesday's of the month at the United States House of Representatives Speaker's discretion.

The Corrections Calendar contains a list of bills that focus on changing laws, rules, and regulations that are judged to be out-dated or unnecessary. These bills are considered by the House of Representatives and debate is limited to one hour. For a bill on the Corrections Calendar to pass the House of Representatives a 3/5 majority vote of those present is required.





#### 4. Establish a regulation repeal agenda to enhance national productivity

The Coalition will relocate deregulation from the Department of Finance to a new unit within the Department of the Prime Minister and Cabinet. By relocating to the Department of the Prime Minister and Cabinet, the Coalition will make it very clear that reducing red and green tape will now be part of a whole of government approach.

In the first six months of a Coalition government, the unit will outline a comprehensive agenda of legislation and regulations that will be repealed over the first term of a Coalition government.

The agenda will focus on abolishing or streamlining regulations that are detrimental to productivity or impose higher costs than benefits, as well as regulations that are redundant.

The deregulation reduction unit will report directly to the Prime Minister.

This initiative will make red tape reduction a matter of central concern for the Prime Minister and provide the type of top-down approach needed to drive reductions in regulation across government.

#### 5. Improve Commonwealth Government regulatory gate keeping requirements

##### *a. Office of Best Practice Regulation*

The Coalition will move the Office of Best Practice Regulation (OBPR) to the Department of the Prime Minister and Cabinet where it can function more effectively as a whole of government gatekeeper against unnecessary and/or ill designed regulation.

The Coalition will create a new statutory position for the Executive Director of the OBPR that will be appointed by Cabinet to ensure that the OBPR is not subjected to political or bureaucratic pressure.

The OBPR will be a component of the new deregulation unit within the Department of the Prime Minister and Cabinet.



## *b. Mandatory Regulation Impact Statements*

The Coalition will require all Cabinet submissions to include a Regulatory Impact Statement (RIS). This RIS must quantify (in dollar terms) the cost to business and/or the community of any new regulations. In the rare instances where a RIS is not warranted (e.g. on some foreign policy issues) the relevant Minister must seek the approval of the Prime Minister for exemption.

The Coalition will require Ministers, departments and agencies to identify (in dollar terms) measures that offset the cost imposed to business of any new regulations.

Our drive for deregulation will apply to all government entities: departments, agencies and statutory bodies.

For example, a new regulation that has a compliance cost to small business of \$30 million per year will be offset by measures that provide \$30 million in cost savings or efficiency benefits to small business over the financial year. The fundamental objective is for all new regulations to have a cost neutral impact on business.

The Coalition welcomes the broader position of the Borthwick-Milliner review that regulation should be made in consultation with industry and stakeholders where the change is substantial (e.g. best ways to achieve a lower emissions economy). Therefore, it is our intention that we use a discussion or white paper process before embarking on substantial reform to ensure that only necessary legislation and regulations are drafted. This process will consider the cost and benefits of any proposed legislation and regulations. Under a Coalition government, legislation would generally undergo an exposure draft process and, as always, regulation is subject to the disallowance processes in the Parliament.

The Coalition will require Cabinet submissions to provide details of any new regulations associated with legislation or policy proposals and, where relevant, to quantify the financial impact on businesses, individuals and society of complying with those regulations. Departments and agencies will be required to produce a RIS that outlines the cost and benefit impact for subordinate and quasi legislation. We will also require RISs to include higher quality cost-benefit analysis through more uniform application of the business cost calculator or another standardised cost estimation technique.



### *c. Post implementation reviews*

The Coalition will require all new significant regulatory changes introduced by a Coalition government be subjected to a post-implementation review within five years of their enactment.

All relevant post-implementation reviews will include a business reference group of at least three experienced individuals with sufficient commercial experience to assist with the review.

## **6. Genuine consultation with business and the community**

The Coalition will engage in genuine consultation with business, the not-for-profit sector and the community before introducing legislation and regulations. We will work with these groups to stop unnecessary red and green tape from being introduced in the first place.

## **7. Establish Ministerial Advisory Councils for each portfolio Minister**

The Coalition will establish Ministerial Advisory Councils for each Cabinet Minister. These councils will consist of business, not-for-profit and other industry stakeholders. The Council will meet quarterly and will provide advice to each Cabinet Minister and their respective departments on opportunities to reduce red and green tape within their respective portfolios, as well as provide a broader consultation mechanism on policy matters.

The Coalition wants to drive a cultural change within the Commonwealth in relation to red and green tape and better engagement with the organisations impacted by regulation is a key part of our strategy.



## 8. Reform the Council of Australian Governments (COAG)

The Coalition will streamline COAG meeting agendas and focus on concrete outcomes that will contribute to a Coalition government meeting the annual \$1 billion red and green tape reduction target.

We intend to make deregulation and red tape reduction a standing agenda item at COAG meetings.

Within two years of a change of government, working with the states, the Coalition will produce a White Paper on Reform of the Federation, and the responsibilities of different governments, to ensure that, as far as possible, the states are sovereign in their own sphere.

The objective will be to reduce and end, as far as possible, the waste, duplication and second guessing between different levels of government that has resulted, for instance, in the Commonwealth employing 6,000 health bureaucrats even though it doesn't run a single hospital.

The Coalition notes that Labor's approach of 'one size fits all' national harmonisation via its National Seamless Economy Agenda has, in some cases, resulted in more complex and costly outcomes, where harmonisation costs are likely to outweigh the benefits.

The Coalition will end Labor's confrontational approach to Federal-State relations and work cooperatively with State and Territory Governments to achieve consensus driven outcomes.

We will ensure that all regulatory reform proposals aimed at reducing inter jurisdictional costs are subjected to a rigorous, evidence based RIS and cost-benefit analysis.

The Coalition will only proceed with nationally harmonised regulatory solutions where the benefits of doing so outweigh the costs.



## 9. Report to Parliament annually on red and green tape reduction

Under the Coalition's plan, the Minister Assisting the Prime Minister for Deregulation will table an annual red tape reduction report in Parliament.

This report must clearly outline the quantum of red and green tape reduced over the past twelve months, the compliance cost savings to business and details of whether individual departments and agencies have reduced or added to red and green tape over the year.

## 10. Reduce regulatory uncertainty

Investment, productivity and employment growth depend on business confidence and certainty.

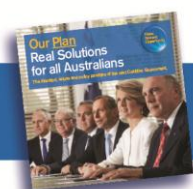
The Coalition recognises that government should provide as much policy and regulatory certainty as possible to minimise risks to individuals and business, giving them the confidence necessary for employment and investment growth.

Commonwealth regulators should always administer regulations objectively and fairly.

There have, however, been many instances of regulators providing incorrect and inconsistent guidance and advice. This poor advice results in businesses having to pay costly fees for consultants or accountants to navigate the maze of regulation. At times, this has also resulted in businesses or individuals finding themselves subject to legal proceedings or penalties for actions, which they took in good faith, based on advice about regulatory requirements provided to them by bureaucrats who later turned out to be mistaken.

The Coalition will:

- avoid retrospective legislative or administrative rulings (i.e. rulings contrary to prior administrative practice), except in extreme circumstances where there is a compelling and reasoned justification consistent with wider community benefits or national interests;
- require Ministers to issue charter letters to the Chairs and Chief Executives of Commonwealth regulatory agencies outlining the Minister's broad policy intent and expectations with respect to their policy and administrative powers;



- require the Productivity Commission to identify and describe the framework by which the performance of regulatory agencies will be audited; and
- require the OBPR to perform an audit (using the framework developed by the Productivity Commission) at least once every parliamentary term on the extent to which regulatory agencies provide appropriate, timely and consistent advice and guidance to affected stakeholders.

## 11. Promote better regulation by the States and across borders

Enhancing Australia's relative productivity and international competitiveness will require identifying and adopting international regulatory best practice. Doing so requires developing a public policy case for change that highlights the differences between current regulatory practice in Australia and best practice wherever it exists.

The Commonwealth Government can play an active role in promoting better regulatory performance at all levels of government, particularly at the state government level.

As the Australian economy continues to adjust to the pressures from globalisation, Australian businesses are experiencing unnecessary red and green tape burdens because of differences in cross border regulatory requirements and standards. These differences are, in some cases, restricting the flow of trade, as well as diverting international investments from Australia to other countries that are more competitive.

## 12. Replacing mandatory reporting with audits

Where possible, and without detriment to quality standards, we will replace mandatory regulatory reporting requirements with independent and random audits that are backed by substantial penalties for businesses and organisations that fail to comply with set standards.

## 13. Improved administration of Commonwealth grants and procurement

The Commonwealth administers a large number of grants across multiple departments and agencies. According to the Department of Finance, in 2010-11 Commonwealth Government agencies entered into more than 79,000 contracts for property and services valued in excess of \$32.6 billion.

Currently, there are approximately 80 procurement panels in place. Some service providers indicated that the cost of registration per panel is \$40,000 or more.



There is increasing evidence that Commonwealth procurement processes sometimes impose unnecessary compliance costs on both the Commonwealth and the business community.

The Coalition will:

- establish a centralised register of Commonwealth contract and grant recipients administered by the Department of Finance;
- adopt a common form contract encapsulating the terms and conditions all Commonwealth departments, agencies and service providers would agree to as part of their grants arrangements;
- establish a single, rationalised Commonwealth procurement panel to administer a centralised register of service providers who wish to contract with the Commonwealth. This register, encompassing all firms registered under the procurement panels, would be centrally administered by the Department of Finance;
- include a short form for procurement tender responses for those service providers who already meet the requirements of the appropriate panel;
- standardise contractual arrangements for similar goods and services purchased by the Commonwealth, including requirements for insurance liability;
- standardise whole of Government probity guidelines that allow appropriate commercial discussions to take place during the tendering process; and
- increase the threshold for sole source contracts to an appropriate amount. This will reduce the cost of procurement for the Commonwealth and service providers for relatively low amounts of money (subject to requiring a public and legally binding declaration by procurement officers that they have no conflict of interest in awarding such contracts).



## 14. Improve the effectiveness and efficiency of the Commonwealth cost recovery model

Businesses have consistently expressed concern about the current level of cost recovery fees and the proposed fee increases charged by government departments and agencies, as well as the lack of transparency with regard to fee increases and the general level of efficiency within these departments and regulatory agencies.

The Coalition will develop efficiency performance standards against which government cost recovery agencies would be assessed and will take steps to increase the degree of transparency associated with fee increases.

The Coalition believes that government departments and agencies should strive to be as efficient as possible in order to minimise cost recovery charges, while meeting the regulatory obligations and functions required of Commonwealth cost recovery agencies.

## 15. Adopt a consistent and balanced approach to regulatory compliance and risk management

Cultural attitudes to risk adopted by regulators can significantly influence the regulatory compliance burden placed on those targeted by regulation. In a recent draft Productivity Commission report entitled *“Regulator Engagement with Small Business,”*<sup>6</sup> the Productivity Commission found that:

*“Government agencies and business groups have suggested that risk aversion can lead some regulators to require excessive evidence of compliance or to rely on overly harsh enforcement approaches which do not adequately take into account small business efforts required to mitigate risks and a realistic assessment of the risk posed by the individual businesses. Areas where regulators reported using comparatively harsh penalties (such as criminal proceedings) with no risk based assessment, included several transport agencies and an animal welfare body.”*

The Coalition supports the adoption of a risk based approach to enforcement by Commonwealth regulators as a means of ensuring that compliance burdens are the minimum necessary to achieve regulatory objectives.

<sup>6</sup> Productivity Commission (2013), *“Regulator Engagement with Small Business”*, Productivity Commission, Canberra, Australia.





To ensure that the Commonwealth adopts a consistent approach to regulatory enforcement and risk management, the Coalition will move to develop and implement an overarching whole of government risk management framework for Commonwealth regulators.

Furthermore, the Coalition agrees with the Productivity Commission that:

*“Governments in all jurisdictions develop a common set of performance measures across different regulators to provide an opportunity to measure and compare regulator performance over time. Such measures would facilitate transparent assessments of regulator performance and the implementation of agreed business engagement principles. In addition to rates of compliance, emphasis should be on measuring effectiveness in achieving outcomes, while minimising compliance costs.”*

The Coalition will build on the Productivity Commission's work by developing a common set of performance measures for regulators that focus on ensuring compliance but minimising compliance costs.

## 16. Repeal Labor's carbon tax

The Coalition's commitment to abolish the carbon tax will lift a \$9 billion a year tax burden for Australian businesses and households, result in the removal of 19 separate Acts and 1,100 pages of legislation and unwind Labor's sprawling climate change bureaucracy – we will, for example, abolish the Clean Energy Finance Corporation, the Climate Change Authority and the Energy Security Fund).

We will introduce legislation to abolish the carbon tax on the first day of a new parliament.

The Coalition is committed to removing existing costly red and green tape as part of its annual \$1 billion red tape reduction target.

The Coalition has already outlined specific initiatives that will remove existing red and green tape and these are outlined below.



## 17. Repeal the Minerals Resource Rent Tax

The Coalition's abolition of the Minerals Resource Rent Tax will result in the repeal of 11 separate Acts and 525 pages of legislation, whilst removing a significant administrative and compliance burden from the industry that even affects mining companies not liable to pay the tax.

## 18. Future of Financial Advice (FOFA) amendments

According to the Financial Services Council, the Labor Government's FOFA package will cost an estimated \$700 million to implement and impose a \$375 million compliance burden on the financial services industry each year.

The Coalition will amend the legislation to reduce compliance costs for small business financial advisers and consumers who access financial advice.

We will implement all 16 recommendations made as part of the Parliamentary Joint Committee inquiry into FOFA. These changes will include:

- the complete removal of Opt-In;
- the simplification and streamlining of the additional annual fee disclosure requirements;
- improving the Best Interest Duty;
- providing certainty around the provision and availability of scaled advice; and
- refining the ban of commissions on risk insurance inside superannuation.

## 19. Easing the red tape burden on small business

The Coalition will give small business the option to remit compulsory superannuation payments made on behalf of workers directly to the Australian Taxation Office.

We will give employers the option of opting in to manage the administration of government payments to their employees. If small business choose not to be the government's paymaster, the payments will be made by the government directly to the employees.



## 20. Reducing the Paid Parental Leave red tape burden

The Coalition will reduce the red tape burden of paid parental leave. Unlike Labor's scheme, which places an administrative burden on small business, the Coalition's paid parental leave plan will be administered by the Commonwealth Government's Family Assistance Office.

## 21. Streamline grant applications to the National Health and Medical Research Council (NHMRC)

The Coalition will simplify the assessment of research grants and offer these grants for a five year tenure.

We want to free our nation's finest medical researchers from paperwork so they can spend more time in their lab, clinic or health service.

The Coalition has listened to our medical researchers who have said that existing guidelines and processes are cumbersome, costly and inefficient.

The Coalition will:

- streamline the NHMRC's grant application process including simplifying the grant applications, condensing and simplifying the different schemes and better integrating the grant process with that used by the Australian Research Council. This will assist applicants and reviewers who commonly have to use both systems;
- simplify the NHMRC's grant assessment process by what the McKeon Review calls an 'early triage' of grant applications unlikely to be successful. This will reduce the load on everyone involved in the grant reviewing process and speed up approvals; and
- transition to five year grants to allow for greater career certainty and to recognise that high quality research is becoming increasingly complex to perform. The three year project grants currently awarded have led to persistent career insecurity and a constant administrative burden.



## 22. Establish a one-stop shop for environmental approvals

As part of long-term agreements with each State and Territory, the Coalition will simplify the Environmental Protection and Biodiversity Conservation Act 1999 and all associated bureaucratic arrangements to create a single approvals process for all environmental approvals via the state system.

Commonwealth environmental standards will not be changed, but the process of meeting those standards will be dramatically streamlined so that submissions for consideration will be lodged once, but assessments made across two jurisdictions.

## 23. Audit environmental regulation

The Coalition will commission an audit of all environmental legislation and regulation at State and Federal levels to identify unworkable, contradictory or incompatible 'green tape.'

## 24. Moratorium on significant new regulation for the financial sector

Australia's financial sector has been subject to a great deal of change over the life of the Labor Government with new legislation and a raft of regulations across banking, superannuation and financial services.

These changes have imposed significant costs on the sector and industry has reform fatigue.

The Coalition intends to institute a broad ranging review into the operation of the banking and financial services sector and while this review is underway, we will put in place a pause on significant regulatory change.



## Conclusion

The Coalition's goal is to lift Australia's productivity performance by cutting red and green tape as one of its central policy objectives.

Australia's long term economic fortunes depend on boosting Australia's productivity performance.

Productivity is not about working harder or working for lower wages and benefits; it is about working smarter.

In many cases, improvements in productivity can be achieved through streamlining compliance requirements or eliminating unnecessary regulatory hurdles, thereby providing businesses with more time and flexibility to achieve operational outcomes with less effort.

By cutting the cost of red and green tape by \$1 billion per year, the Coalition will deliver a systematic reform effort that will improve Australia's international competitiveness.

Businesses need certainty in order to plan and invest for the long term with confidence.

Labor's chaotic approach to governing and decision making has created significant regulatory uncertainty and has raised Australia's sovereign risk profile. Broken promises on core areas of policy, snap decisions and policy back-flips have significantly undermined business confidence to plan and invest in Australia in the long term.

In contrast, the Coalition will deliver a strong, stable and accountable government that provides business with confidence and certainty to invest for the future. Under the Coalition, there will be a proper cabinet process with an emphasis on considered decision making.

In an ever more competitive world, Australian businesses can ill afford to incur additional regulatory costs.

The Coalition has a systematic and coherent approach to reducing red and green tape that will deliver on-going reductions in regulatory costs of \$1 billion per year by getting the regulatory process right and removing existing and costly red and green tape.



Hope.  
Reward.  
Opportunity.



**THE NATIONALS** *for Regional Australia*

For further details of the Coalition's Plan go to  
[www.realsolutions.org.au](http://www.realsolutions.org.au)