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Future COAG regulatory reform agenda

CPA Australia represents the diverse interests of more than 132,000 members in 111 countries throughout the world. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders.

Against this background we provide this submission in response to the stakeholder consultation paper on the future Council of Australian Governments (COAG) regulatory reform agenda.

General comments

CPA Australia believes that continuing to reduce regulatory burden remains a key factor in improving the productivity and competitiveness of the Australian economy. As the OECD Secretary-General Angel Gurría stated “*Australia needs to boost productivity to return to long-term sustained growth. An efficient regulatory system is a main step to achieve that goal.*”¹

The focus of such reform must be on national markets where improvements in regulation can lead to reduced costs for business and regulators and increased productivity. Given limited resources and political constraints, the focus on the next round of deregulation reforms should be on those areas that deliver the biggest improvements in productivity, support the structural change that is occurring in the economy due to the mining boom and better position Australia to take advantage of the Asian Century.

In this submission, we focus on recommendations to ensure that the benefits of deregulation are maintained. We also make recommendations on a range of other means to reduce regulatory burden. We do not make any specific recommendations on future reform priorities.

Ensuring the benefits of national reform are maintained

CPA Australia is of the view that ‘*regulate with regard to the national interest*’² means more than just creating harmonised or model law; it also captures the implementation and administration of regulation.

To ensure the benefits of national reform are maintained, and institutional arrangements can support ongoing regulatory reform, we recommend the states consider nationally consistent approaches to the implementation, interpretation and administration of harmonised or model laws. Options to achieve this include:

- + the states referring the administration of such laws to a Commonwealth Government agency, such as the Australian Taxation Office in relation to payroll tax

¹ OECD press release *Australia should boost productivity through better regulation, says OECD* 15 February 2009
http://www.oecd.org/document/58/0,3746,en_2649_37421_44598138_1_1_1_37421_00.html

² *ibid*

- + amalgamate relevant state agencies into one agency (but the agency remain under the direction of the state governments), and ensure such an amalgamated agency has a single source of interpretation and practice
- + the states and territories create one single body to create interpretations and administrative practices for the harmonised or model law and individual agencies would implement such pronouncements
- + the states by mutual agreement recognise the interpretation of the harmonised or model law legislation in one jurisdiction as applicable in all states, or
- + the agencies have some other mechanism to ensure a single approach to the interpretation and administration of such laws.

We recognise that political considerations make most of these suggestions difficult, however if the benefits of reforms are to be successfully implemented and maintained, then state governments must seriously consider these options and make their decisions in the national interest, even where it may have negative local consequences.

Other:

Identifying deregulation priorities as complete

We recommend that prior to a deregulation reform being determined as complete by COAG, that COAG review whether in the minds of affected businesses, the reform are complete and meeting the expectations of business.

Outstanding deregulation agenda items

We recommend that COAG must complete the outstanding items on the 27 deregulation areas, and that incomplete items be rolled over into the new deregulation agenda.

Evidenced-based assessment prior to a subject being included in deregulation agenda

We recommend that future deregulation reform priorities should, prior to being incorporated into the reform agenda, be subject to evidenced-based assessment to determine if, there is in fact an issue, that addressing the issue has broad industry support and that if there is an issue, COAG is the best vehicle to address such an issue.

In the current 27 deregulation priorities, there are priorities that we believe were placed on the agenda without appropriate evidence that there was in fact an issue that needed to be addressed. For instance, the proposal to extend the national consumer credit regime to small business was in our view, not appropriately considered before it was placed on the agenda, and the evidenced-based work was only carried out following its placement on the agenda.

Rolling deregulation agenda

We recommend a rolling deregulation agenda that is updated as new nationally significant priorities are identified and existing priority work is complete or no longer considered a priority.

We believe a rolling agenda is preferable to a current static agenda as it would avoid situations where a deregulation priority is placed on the agenda without sufficient evidence that it is a priority or the converse, where an issue is not placed on the priority agenda because COAG hasn't been able to complete its evidenced-based assessment in time.

Improving local government regulation

While possibly outside the scope of the future COAG regulatory reform agenda, improving the current stock of local government regulation, reducing regulatory overlap and putting in place mechanism to improve the quality of new local government regulations, is essential to reducing regulatory burden. We note that the Productivity Commission is currently undertaking a review of the role of local governments in business regulation.

We recommend that the Commonwealth consider offering reward payments to states and territories that develop and implement processes, guidance and resources that assist local governments to improve the current stock of regulations, reduce regulatory overlap and improve the quality of new regulation. We recognise that while this recommendation is outside the scope of the consultation

paper, that such an issue is of national significance and hence should be considered as part of a separate exercise by COAG.

Standard Business Reporting

Standard Business Reporting is an important framework which all levels of government can use to reduce regulatory burden and overlap. As a separate exercise to the future COAG regulatory reform agenda, we recommend that COAG consider further steps to promote the uptake of SBR by business and to promote the value of SBR to all levels of government.

Benchmarking performance of deregulation agenda

While not part of the future regulatory reform agenda, we recommend that COAG should, when benchmarking Australia's deregulatory performance against other jurisdictions, include the deregulatory performance of non-OECD jurisdictions from the Asian region in such benchmarking. While we understand the bias amongst policy makers to benchmark against the OECD nations, as they are at similar stages of development and have similar political and economic structures, investors do not have such bias. Business benchmark Australia's regulatory policies and reform agendas against other suitable investment destinations, which include non-OECD nations, hence COAG must align their international performance benchmarks with those of business.

If you wish to discuss this submission further, please do not hesitate to contact Gavan Ord on 03 9606 9695 or gavan.ord@cpaaustralia.com.au.

Yours faithfully



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