



Improving the Regulatory Climate for Business: Experiences from Australia

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Background to reform

- Substantial economic reform program begun in the 1980s
- Reform driven largely by relative economic decline – slow growth rates, incomes declining relative to other OECD countries
- Focus on opening the economy internationally, removing product and labour market rigidities

The regulatory dimension

- Reform initiatives were widespread (tariff reductions, floating the currency, independent central bank),
- But regulatory reform was a key element.
- Most governments established agencies with specific responsibilities: Offices of Regulation Reform

Different approaches

- Agreement on the need to free the economy, reform regulation to do it; but
- Substantial differences in approach
- What are the lessons from the different reform programs tried?

A selection of programs

- Small Business Deregulation Taskforce
- Business Licence Simplification Program
- Regulatory Efficiency Legislation
- National Competition Policy Agreements

Small Business Deregulation Taskforce

- Established by Federal Government
- All members from business sector
- Six month deadline for report
- Received public submissions
- A specific task:
to report to the Government on revenue-neutral measures that could be taken to reduce the paper and compliance burden on small business by 50 per cent

Results?

- Report recommended many further reviews (of tax, food safety, planning laws, etc)
- Recommendations also included some more specific proposals for reducing administrative burdens
- Overall, little concrete reform came directly from this exercise

Lessons

- An effective way of harnessing the business perspective;
- Some important issues identified;
- But the task was too great for an “ad hoc” committee;
- No systematic follow-up; but
- Some recommendations were ultimately acted on in the medium term

Business Licence Simplification

- Target of reducing the number of business licences by 25 per cent;
- Co-ordinated by Office of Regulation Reform; but
- Licences identified for abolition by regulators;
- Numerical target was met; but
- Limited *real* impact on business

Lessons?

- Licence reduction an appropriate target, but;
- Poorly chosen outcome measures;
- Lack of political authority;
- Responsibility for program elements poorly distributed;
- No links to a broader reform program

Regulatory Efficiency Legislation

- A law that would make a wide range of regulations more flexible;
- Business able to propose alternative means of complying with the regulatory objective;
- Approval by the responsible regulator;

Regulatory Efficiency Legislation(2)

- Originally pursued by a committee of civil servants;
- Lack of agreement led to referral to a Parliamentary Committee
- Report recommended adopting the proposed law;
- Not implemented by government;
- This initiative raised and rejected in Canada as well

Lessons?

- The concept was a “shortcut” to achieving reform – and giving business a degree of control over regulation;
- But regulators (including Ministers) feared loss of control;
- Complexity of the proposal meant lack of support from business – the intended beneficiary

Some common elements

- Programs were short-term in nature;
- Limited links to a broader reform strategy;
- Lacking in a strategic approach – with only general links to a more broadly understood concept of “business environment”
- Lack of institutional support within government

National Competition Policy

- A long-term program begun in 1995
- Written agreements between all State and Federal Governments
- An overarching purpose:
to maximise competition throughout the economy in the public interest, by removing anti-competitive regulation and implementing or extending pro-competitive regulation

Main elements

- Identifying all laws containing restrictions on competition (1800 Acts);
- Reviewing and reforming them:
 - *legislation should not restrict competition unless:*
 - *The benefits of the restriction to the community as a whole outweigh the costs; and*
 - *The objectives of the regulation can only be achieved by restricting competition.*

Main elements (2)

- Extending the reach of the competition law
- Restructuring infrastructure based industries (gas, electricity, telecoms) to promote competition
- Competitive neutrality between government and private businesses
- Other reforms (transport, water) brought within the framework

Specific institutions tasked

- National Competition Council
(Progress reporting, assessing requests for access to monopoly infrastructure)
- Australian Competition and Consumer Commission
(Enforcing competition law, determining infrastructure access arrangements)
- Competition Policy Units
(Co-ordination/reporting at State level)

Results?

- Program continuing in its ninth year
- Legislative reform substantially complete (c. 80%)
- Major price reductions in a range of infrastructure-based industries;
- Major increases in investment (e.g. doubling of gas pipelines);
- Overall, a clear improvement in macro-economic performance.

Lessons?

Key contributors to the success of NCP

- Political support from all major parties, and in major parts of the administration;
- Well designed institutional structure
- Clear objectives, objective (and consistent) tests, regular reporting;
- Transparency of process/results

Lessons (2)

- A dynamic focus:
 - reviews to be repeated 10 yearly
 - New laws subject to the same tests
- Financial incentives for the States to pursue reform

Lessons (3)

Key challenges/problems

- The disciplines created were insufficient to bind the Federal Government adequately
- Lack of communication of the benefits of the reforms
- “Reform fatigue” and backlash

Lessons (4)

- Perceived imbalances in benefits and costs:
 - Regional dimensions;
 - Compensating the losers.
- Focusing efforts – “materiality”.

Conclusions

- Successful reform is a long-run task & programs must be designed to suit;
- Reform is likely to require a combination of approaches; but
- A clear focus on reform objectives must be maintained, with each program being linked explicitly to them.

Conclusions (2)

- Program design must address:
 - Ensuring necessary authority (including political support);
 - Appropriate institutional design (incl. expertise, authority, impartiality);
 - Clear objectives and performance criteria;
 - Regular reporting and general transparency requirements;
 - Need for communication with stakeholders;
 - Need for reform to be seen as a dynamic process, not a “one-off” activity