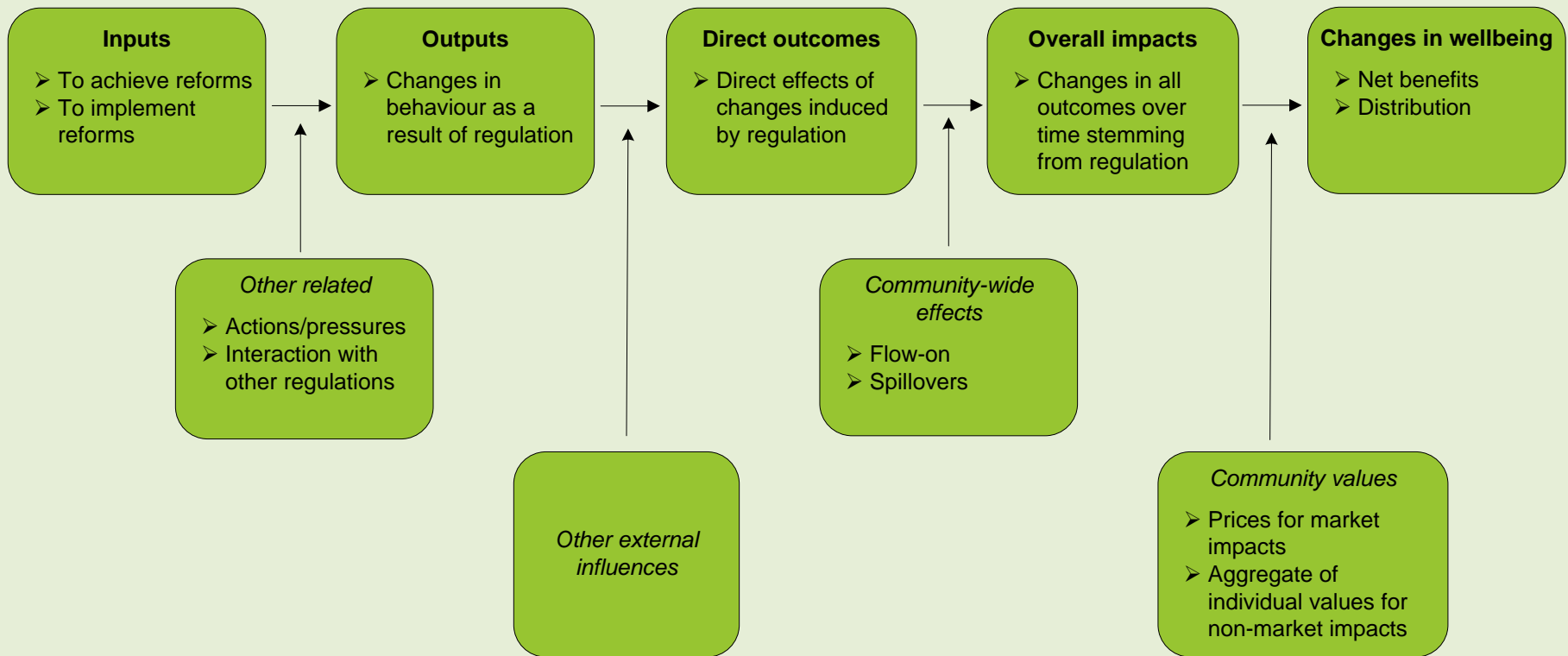


Evaluating Regulation Reforms

Jenny Gordon
Principal Adviser Research

OECD Workshop, Madrid
26-27 September 2011

A broad (summative) evaluation framework



The cost-benefit ledger

Potential costs of reform

Reform costs

- Cost of undertaking review and assessing reform options
- Costs of implementing reform
 - administration costs to government and business
 - adjustment costs for regulator and business

Unintended costs

- Costs of possible pitfalls of approaches used
 - loss of political capital to further progress reform
 - ‘satisficing’ behaviour – reducing momentum for reform
 - potential for wrong headed ‘reforms’ that do not improve the quality of regulation
- Other unintended costs
 - Flow-on effects – distribution
 - Spillover effects



Potential benefits of reform

- Administration cost savings for regulators (lower fees for business if ‘user-pays’ regulatory regime)

Compliance cost savings

- Administrative costs (paperwork time)
- ‘Substantive’ costs (training, capital infrastructure)
- Delay costs

Other intended benefits from

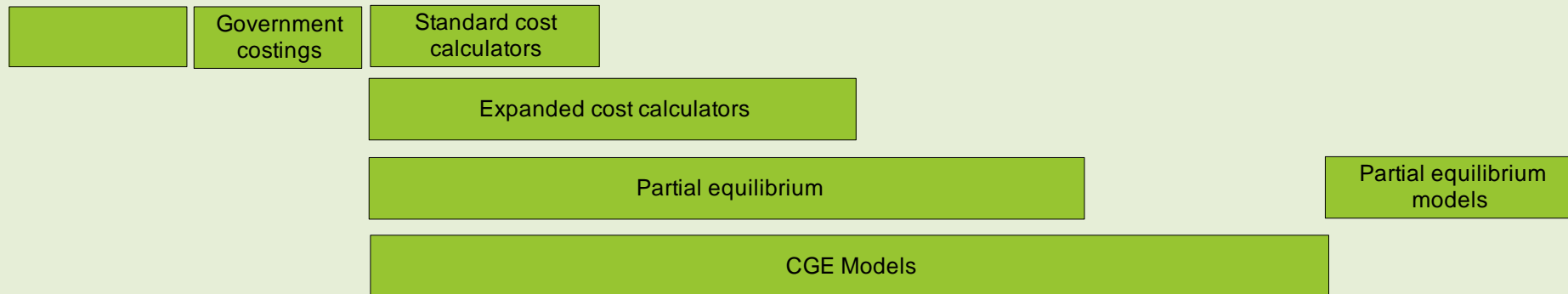
- Reduction in distortions
 - incentives for investment and innovation
 - greater choice and opportunities
- More effective regulation
 - Benefits from achieving the objectives of the regulation

Unintended benefits

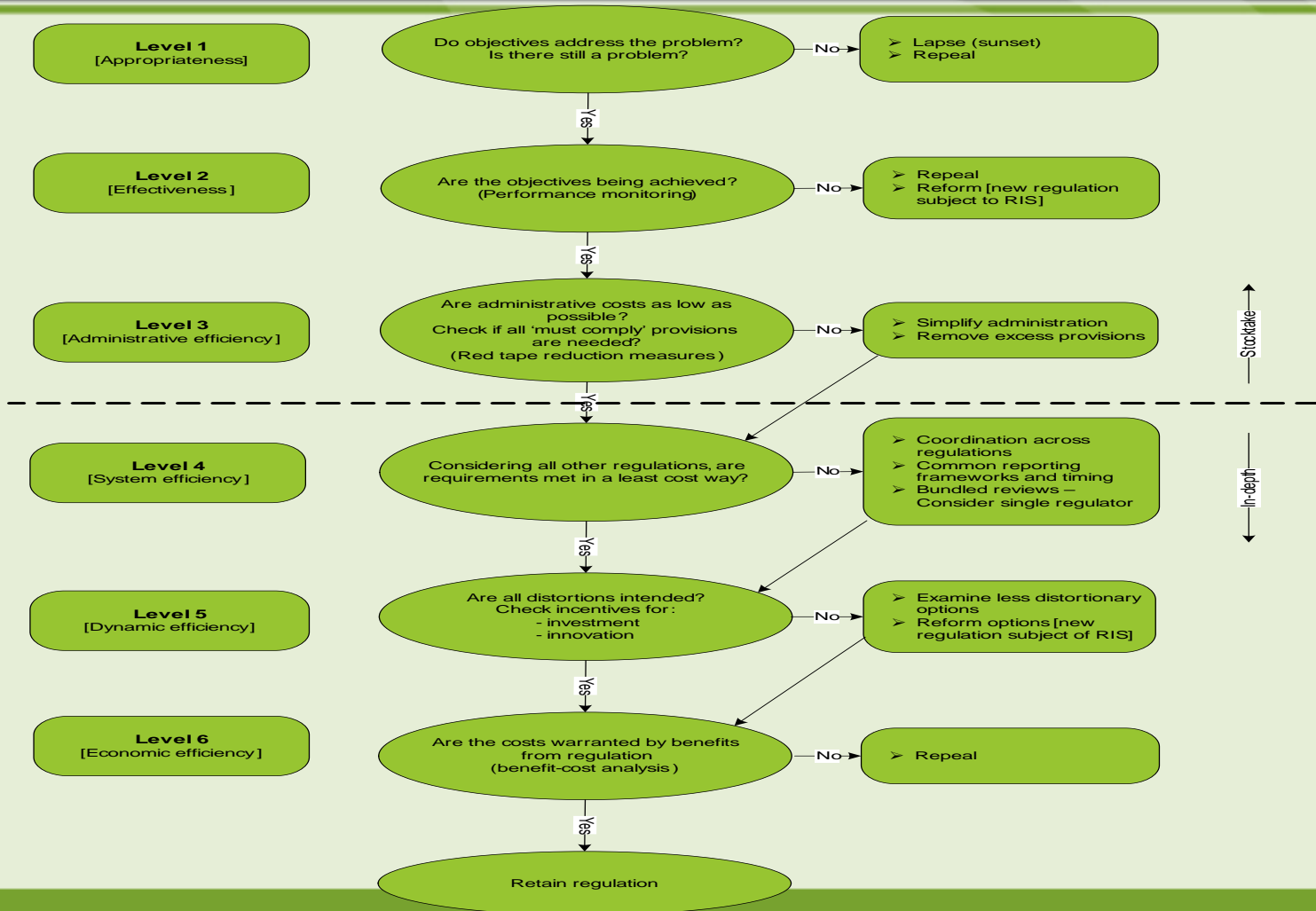
- Flow-on effects – distribution
- Spillover effects

Cost of evaluation tends to rise with scope of impacts evaluated - need for 'proportionality'

Administration costs	Fees and charges	Administrative costs saving ➤ Time costs	Substantive compliance cost saving ➤ Capital costs ➤ Training costs ➤ Delay costs	Direct economic impacts ➤ Return to capital ➤ Return to labour ➤ Return to 'land' ➤ Over time	Flow on economic effects ➤ Resource reallocation across industry ➤ Over time	Other non-economic distortions ➤ Direct ➤ Flow-on
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Levels of evaluation



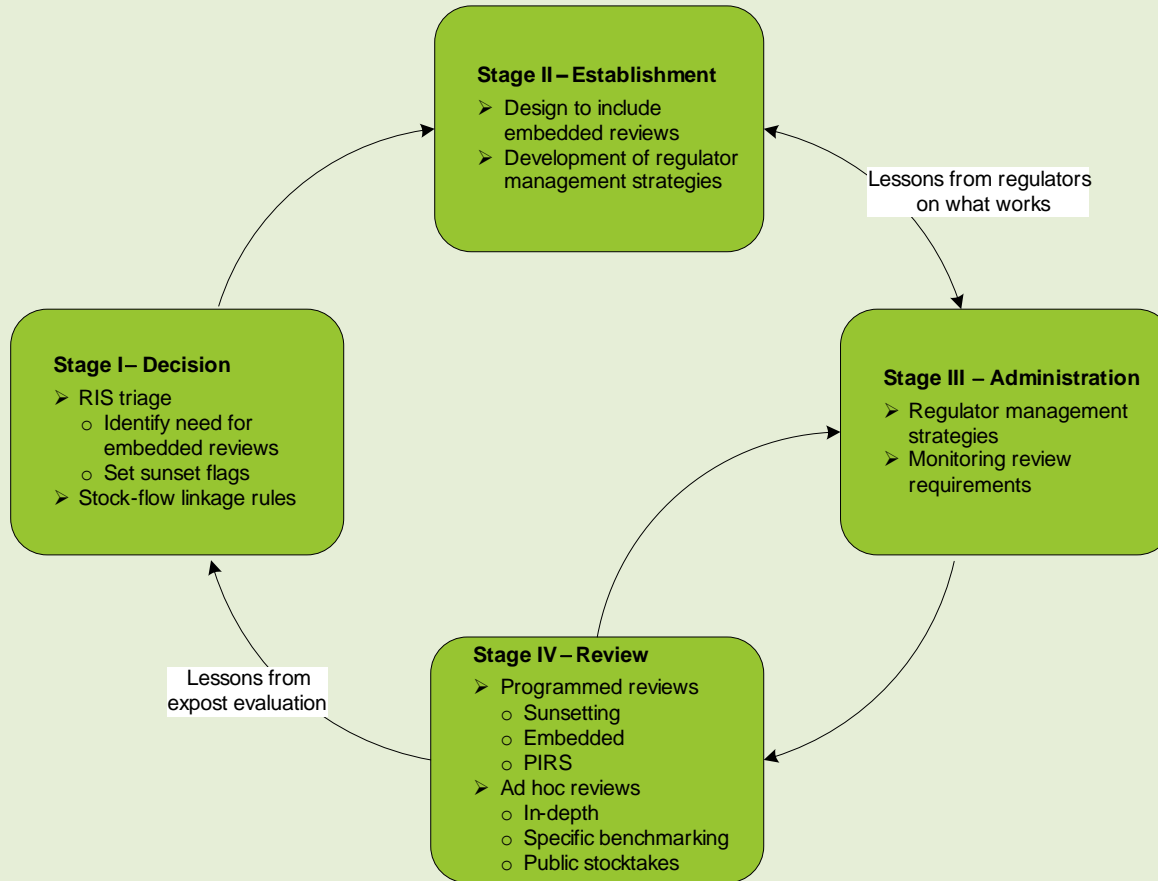
The Commission's current study

Study on Identifying and Evaluating Regulation Reforms

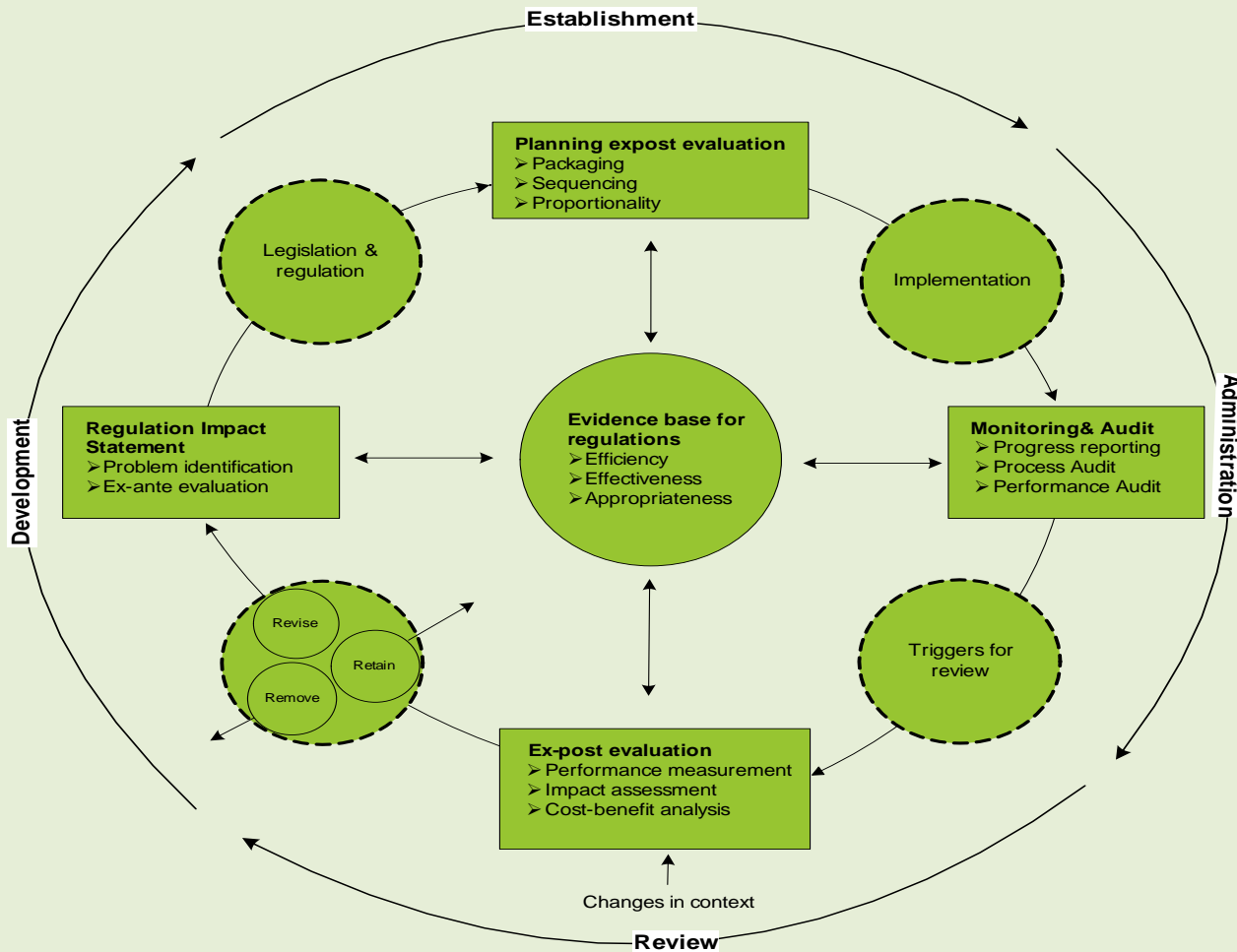
- Discussion draft released 23 September
- Submissions due 21 October
- Roundtable planned late October
- Final report end November

- www.pc.gov.au/projects/study/regulation-reforms

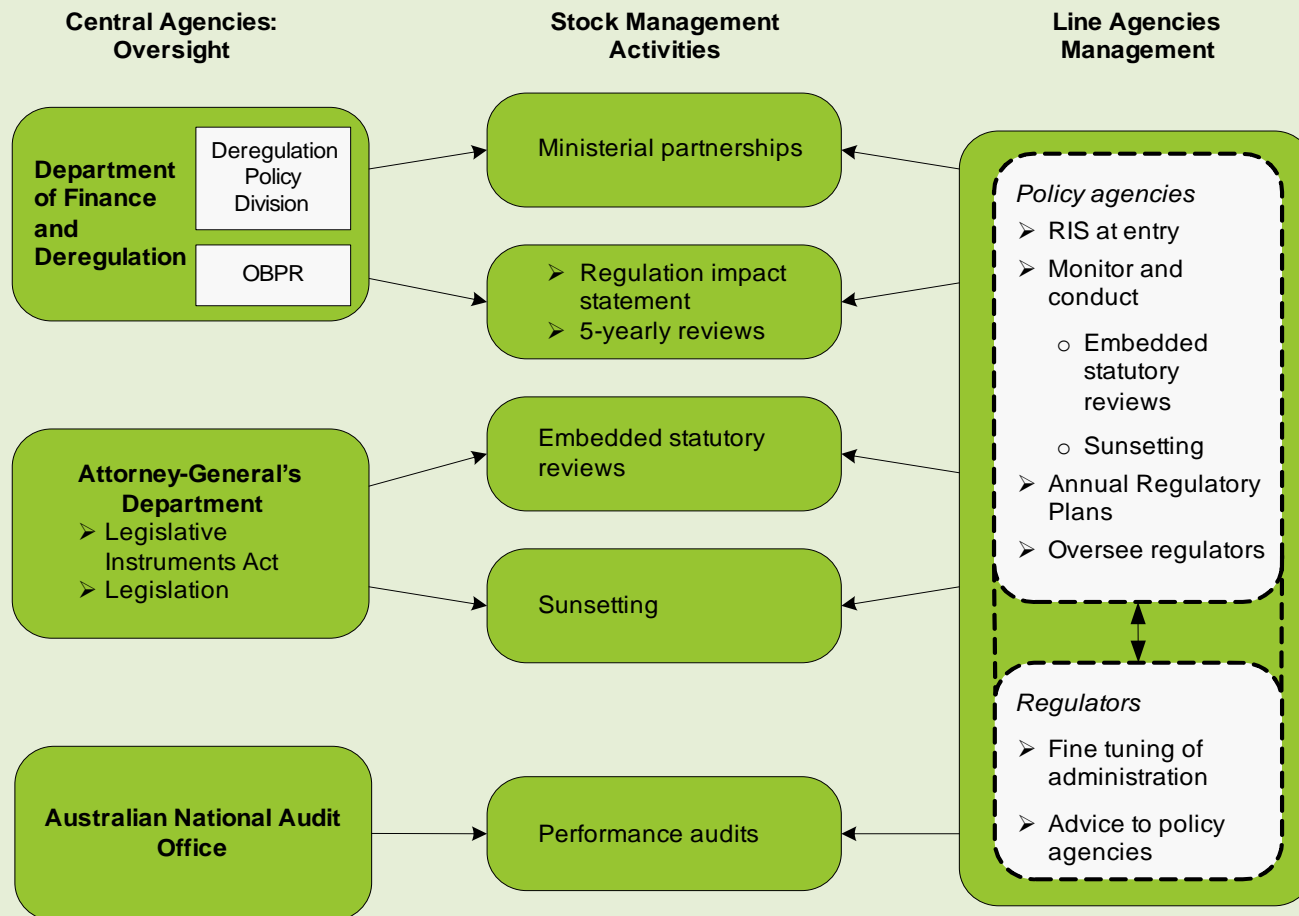
A good system ensures 'quality control' across the regulation cycle



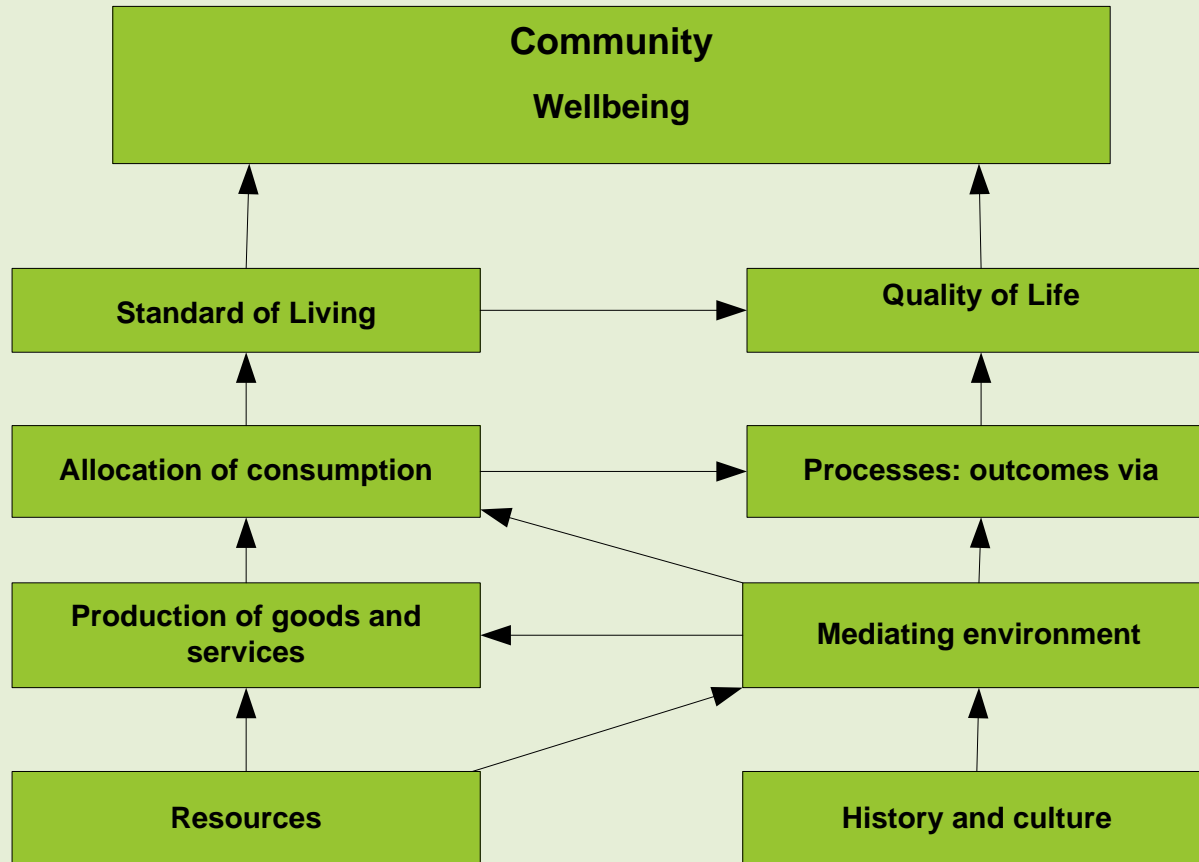
Role of ex post evaluation



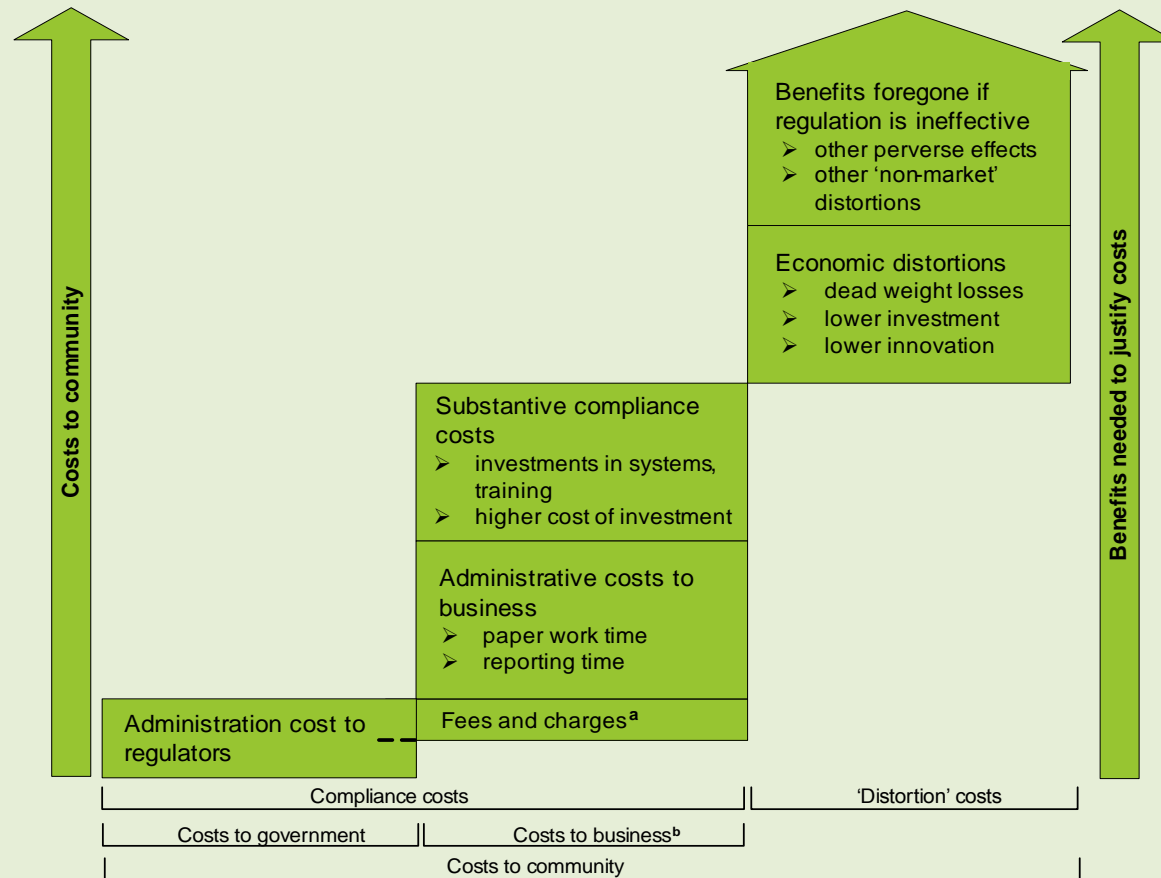
The Australian Government regulatory system now has necessary elements in place (OECD approval)



Wellbeing: one way to categorise the main elements



Regulation – costs



A cross cutting issue

Economic

Environmental

Social

Distribution

Risk

Sustainability