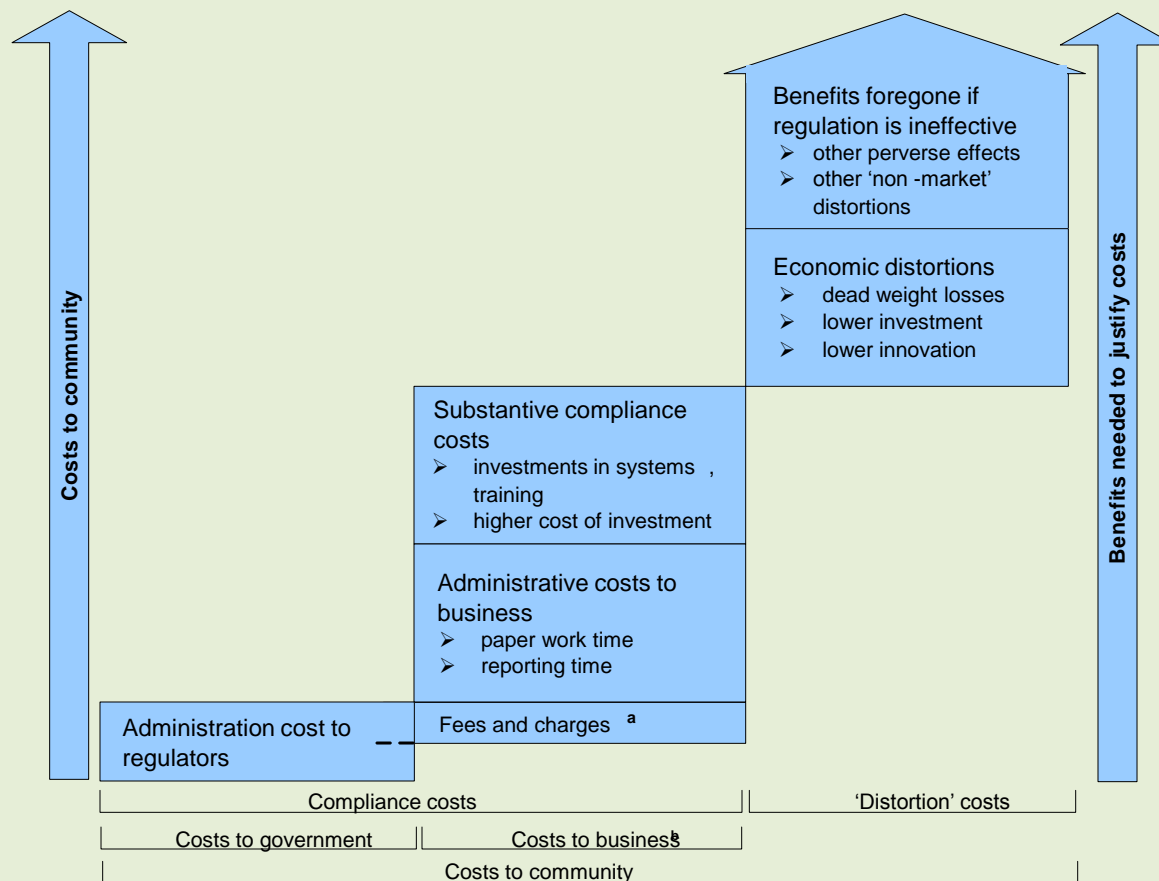


Reforming the regulatory 'stock'

Gary Banks
Chairman, Productivity Commission
Australia

OECD Regulatory Policy Committee
November 2011

Multiple costs of regulation



Assessing reform opportunities: 3 criteria

- Depth of the reform
 - Scope for improvement?
- Breadth of the reform
 - How many would benefit?
- Cost of undertaking the reform
 - How resource (and skill) intensive?

Reforming regulation: three broad approaches

Programmed reviews

- Sunsetting
- Embedded in statute
- Post-implementation reviews
 - process failure
 - catch-all

Ad hoc reviews

- Public stocktakes
 - economy-wide
 - sectoral
- ‘Principle-based’ reviews
- Benchmarking
- ‘In-depth’ reviews

Ongoing ‘management’

- Regulator strategies
- Stock-flow linkages
 - Budgets
 - ‘In-Out’ / ‘Offsets’
 - RIA based consideration
- Redtape reduction targets

Redtape reduction targets

- Only within State jurisdictions
 - Various approaches (coverage, estimation)
 - Large reported 'cost' reductions
- Some lessons
 - Baseline measurement costly and not needed?
Independent 'auditing' is desirable
 - Challenging to convince business people of gains
 - Most useful where little previous reform?

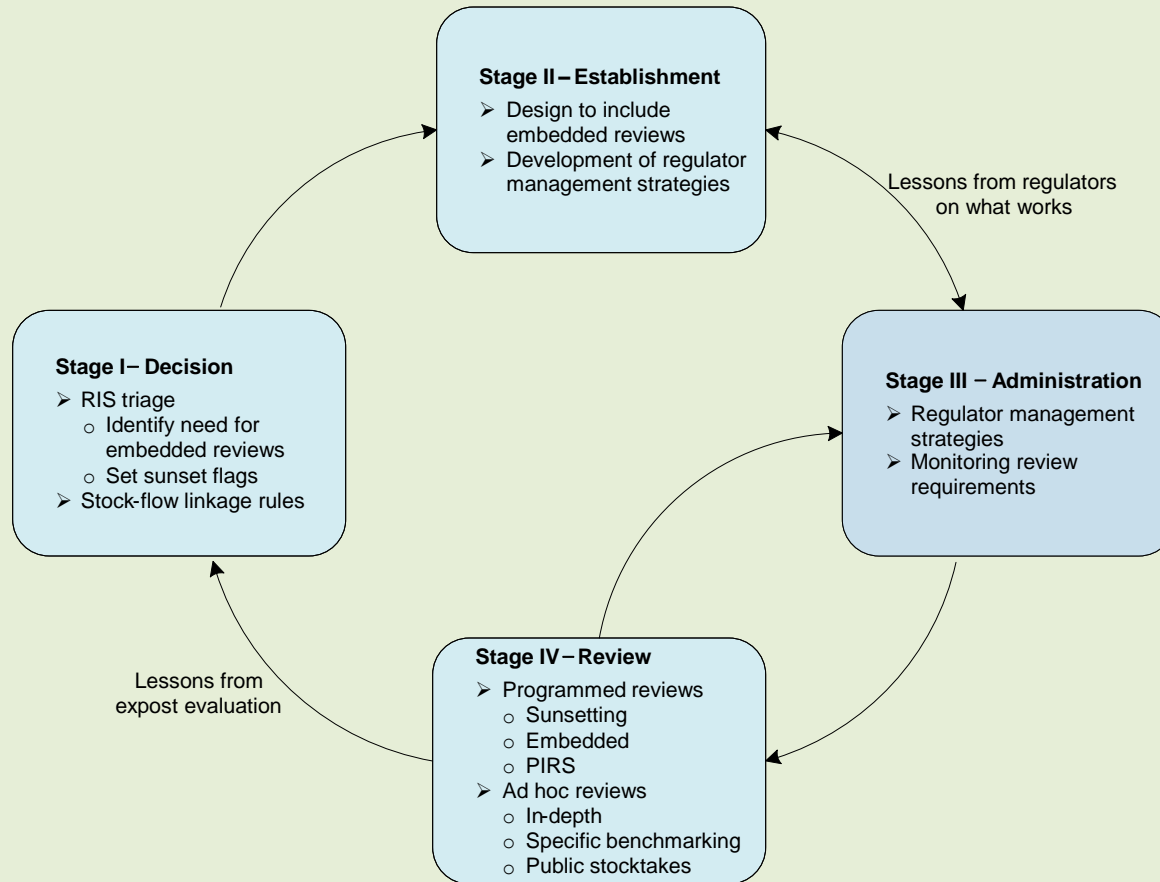
Some wider lessons

- Good governance is fundamental
 - Role of independence?
- Skilled people are also needed
 - Competing demands for them
- Transparency matters
 - Especially effective consultation mechanisms
- Prioritisation and 'filtering' are important for cost-effectiveness

Effort versus Impact: which tools?

	Low Impact	High impact
High effort	<ul style="list-style-type: none">➤ Broad redtape cost estimation➤ Regulatory budgets and one-in one-out➤ Frequent stocktakes	<ul style="list-style-type: none">➤ In-depth reviews➤ Embedded statutory reviews➤ Benchmarking➤ Packaged sunset reviews
Low effort	<ul style="list-style-type: none">➤ Sunsetting➤ Regulator stock management➤ Red tape targets➤ RIS stock-flow link	<ul style="list-style-type: none">➤ Known high cost areas and known solutions from past reviews➤ Regulator management strategies where weak in the past➤ Periodic stocktakes

Applying the tools across the regulatory cycle



Strengthening Australia's System

- More systematic identification of review needs?
- More attention to prioritisation and sequencing?
- Better communication, consultation (and monitoring)?
- More balanced incentives for regulators?
- Skill development and resourcing

Identifying and Evaluating Regulation Reforms

Productivity Commission Discussion Draft,
September 2011

www.pc.gov.au