

Australian Services Roundtable response to the Productivity Commission's Regulation Reform Issues Paper

The Australian Services Roundtable is the peak business body for the services industries in Australia. Sectors represented include financial services (banking, insurance, securities, fund management), professional services (accounting, legal, engineering, architecture), health services, education services, environmental services, energy services, logistics, tourism, information technology, telecommunications, transport, distribution, standards and conformance, audio-visual, media, entertainment, cultural and other business services.

The Productivity Commission has been asked by the Assistant Treasurer to examine frameworks and approaches to identify areas of regulation reform and methods for evaluating reform outcomes, and has sought comment in response to its Regulation Reform Issues Paper.

Australia's services sectors are heavily regulated in ways which are damaging for business growth, national productivity and international competitiveness.

There have been numerous red-tape reviews and substantial and on-going efforts through COAG to address regulatory reform issues and progress has been made – but far too slowly. Reprioritising reform efforts to focus on key systemic issues is needed to speed the pace of reform.

Much regulation of the services sector was initiated in the 1980s and 1990s before the widespread deployment of the internet, broadband and the development of theory underlying the management of services, such as Service Science. Utilising these tools there are substantial unrealised opportunities to re-engineer regulation, without compromising the intended policy outcomes, so as to enhance the role of the business sector, markets and international engagement across the full range of the services sectors.

ASR agrees with the issues paper that scarce reform resources need to be focussed on addressing the most economically significant regulatory issues.

The most needed regulatory reforms are as follows:

- Harmonisation of rules and regulation across states – ASR proposes a 'Services Directive' for Australia enabling services businesses to register once operate anywhere in Australia.

- Greater use of ICT to realise efficiency benefits in regulation compliance, examples being the Government's eHealth initiatives and the Standard Business Reporting. The Tax reporting burden in Australia is an excessive cost to business that would seem amenable to substantial reduction through greater use of ICT systems.
- Regulatory reform needed to maximise the benefit of the National Broadband Network; to some extent these are being addressed in the Convergence Review, the eHealth initiatives – including legislation for an Electronic Health Record, and the Review of Innovation in the Payments System where ASR supports rapid implementation of the payments messaging standard, ISO 20022, but there are likely to be gaps.
- Greater use of performance-based regulations and standards rather than prescriptive regulation that stifles innovation, while, where appropriate, still allowing reference to prescriptive standards as “acceptable solutions”;
- Greater reliance on international standards over domestically developed rules and standards which have the effect of facilitating international trade and competition, combined with a stronger effort to progress Australian interests in the development of international standards.
- Greater efforts to fight regulatory myths, creep and myopia that result in regulations being implemented beyond the extent of the original policy intent, covering an increasing volume of businesses and business operations and failing to recognise opportunities for business cooption into policy implementation in ways that enhance the operation of markets, and deliver policy outcomes at lower cost for business and government.
- Where regulation is necessary, it should be backed by robust and auditable compliance regimes that, where appropriate, involve conformity assessment bodies accredited by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ).
- Addressing the plethora of regulatory authorities, many of whom lack the expertise to efficiently undertake the tasks assigned.
- Reform of government procurement rules and processes to make them capable of being a model for a new multilateral government procurement agreement that covers services,
- Australia should be active in lobbying for a multilateral procurement agreement that covers services, Australian access to global government procurement markets is restricted – including in Europe and Asia.
- Address inflexibility in procurement rules that stifle innovation, control intellectual property and attempt to shift risk in ways that are not value for money.

The poor quality of economic data, particularly productivity data, for most of the services sectors is an impediment to building public support for needed reforms and in identifying priorities for reform. ASR is pleased that the ABS has received additional funding from the Government to address this issue.

ASR also considers that benchmarking is important in identifying areas for reform. For example, all of the World Bank *Ease of Doing Business* indicators where Australia falls

outside the top 20 should be targets for reform; namely: Dealing with Construction Permits, Registering Property, Protecting Investors, Paying Taxes, and Trading Across Borders.

ASR notes that the former Bureau of Industry Economics microeconomic benchmarking studies were key to building support for reform in sectors such as the wharves and electricity generation as they showed the gap between Australian practice and world's best practice. Such benchmarking work is a clear way of identifying priorities for reform that will generate substantial economic benefits.