
NSW Business
Chamber



Submission to
the Productivity
Commission

ANNUAL REVIEW OF
REGULATORY BURDENS
ON BUSINESS:
Manufacturing and
Distributive Trades
2008

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Executive Summary

We recommend a coordinated national effort, led by a permanent regulatory agency that reports to Federal Cabinet.

The NSW Business Chamber recognises that government regulation is crucial for a well functioning society and economy.

When designed and administered effectively, regulation enables business growth and development, ensures competition is fair, and promotes the public good.

However, the price of inadequate regulation and poor administration is high. It stifles economic activity and imposes a competitive disadvantage on firms that are facing an increasingly tough global business environment.

Additionally, the impact of regulatory burden is especially severe for small businesses (who collectively are the largest employers in Australia) and for those operating in rural and provincial areas. Many of the NSW Business Chamber's members fall into one or both of these categories.

The Productivity Commission is focusing this year on Commonwealth regulatory burdens affecting firms in manufacturing and distributive trades. Manufacturing remains the largest industry contributor to national GDP and one of the largest employers. Reducing the regulatory burdens faced by Australian manufacturers is vital, because manufacturers are under pressure from both emerging economy competition and a decline in world direct investment in manufacturing vis-à-vis the resources and services sectors.

NSW Business Chamber members have identified regulatory burden as a direct disincentive to exporting and a barrier to competing with transnational firms for local projects.

The present submission draws on recent Chamber interviews specific to this Review, as well as past surveys of member companies. It cites specific examples of the regulatory burdens faced by businesses, which can be classified under the following three heads:

- Insufficient disclosure and transparency.
- Burdensome volume of regulation.
- Duplication and inconsistencies between Commonwealth and State regulations.

The four key recommendations of the NSW Business Chamber are as follows:

- Establish an agency responsible for making regulatory requirements easier to understand and comply with. This task includes clearer communications about which regulatory bodies businesses have to respond to and why.
- Adopt a 'one in, one out' approach to regulation at all levels of government, whose progress is tracked by transparent impact statements for all non-trivial regulatory changes.
- Establish a permanent body dedicated to reviewing regulatory requirements, whose activities are reported at Cabinet level. *Ad hoc* taskforces are insufficient to the task of systemically lessening the regulatory burden of Commonwealth legislation.
- Identify major regulatory inconsistencies in the manufacturing industry and develop a common national reform plan.

Information Disclosure and Transparency

Manufacturers are not aware of the developments in regulatory requirements.

Requirements are complex and difficult to understand.

Rural and provincial companies feel that they are more disadvantaged than their metropolitan counterparts.

Businesses have told the NSW Business Chamber that they have to spend a lot of time searching for information on current developments in regulatory requirements. While many businesses are sympathetic to regulatory aims and would like to provide the Government with constructive feedback, they are often not aware how to voice their views.

Moreover, the information on regulation that businesses do receive is complex, full of jargon and difficult to decipher. This problem is compounded for those manufacturing businesses based outside major regional centres, who are distant from face-to-face information sessions, and usually unable to commit the time and resources necessary to attend them.

ISSUES:

Businesses are forced to seek the appropriate experts for simple tasks such as understanding compliance and providing the Government with relevant information.

One business listed the cost of hiring consultants as being more than \$30,000. These administrative costs have a significant impact on the quality and quantity of the

products manufactured.

WHAT BUSINESS NEEDS:

- Simpler language from regulatory bodies.
- Continual improvement of the design of forms to make them easier to understand and complete.
- Greater access to government resources and assistance in complying with regulations, especially in rural and provincial Australia.
- Early and clear notice of new regulatory requirements.
- Better explanations of the purpose of specific regulations and the agency(-ies) responsible for administering them.

RECOMMENDATION:

- Establish an agency responsible for making regulatory requirements easier to understand and comply with. This task includes clearer communications about which regulatory bodies businesses have to respond to and why.

Amount of Regulation

Government keeps adding to the current volume of regulation.

Lack of effectiveness of short-term taskforces.

Need for a National framework of making, amending and deleting regulation.

The manufacturing businesses that have been interviewed have observed that in an attempt to reduce regulatory burden, the Government keeps adding amendments to the existing legislation. As a result, the overall stock of regulation has grown over the past few years.

The Federal Government has previously set up short-term taskforces on regulatory reform, but these have met with limited success. The former Prime Minister and Treasurer's Regulation Taskforce was only active from 2005 to 2006, and there is apparently no single Minister or government body charged with the continual monitoring and improvement of Commonwealth regulation, much less its streamlining across jurisdictions.

In addition, the modern business environment is subject to rapid changes, so regulatory agencies need to be sufficiently responsive to accommodate (and where possible anticipate)

these changes.

ISSUES:

- Dealing with new regulatory requirements and keeping up to date with changes to existing regulations is a significant opportunity cost for business.
- Additional regulation and amendments often require companies to hire external consultants or employ experts in the area on a permanent basis.
- Outdated regulations can accumulate unnoticed and needlessly increase the total volume of regulation.

WHAT BUSINESS NEEDS:

- Greater government consultation with business when introducing new regulations or substantively modifying existing regulations, particularly in the process of needs assessment, prioritisation, design, planning and delivery.
- Direct and speedy means of informing regulators of changing business conditions that warrant changes in regulation, including the repeal of obsolete or redundant requirements.

RECOMMENDATIONS:

- Adopt a 'one in, one out' approach to regulation at all levels of government, whose progress is tracked by transparent impact statements for all non-trivial regulatory changes.
- Establish a permanent body dedicated to reviewing regulatory requirements, whose activities are reported at Cabinet level. *Ad hoc* taskforces are insufficient to the task of systemically lessening the regulatory burden of Commonwealth legislation.

Inconsistencies across States and Territories

Businesses highlight the seriousness of the issue of inconsistencies in regulation between the States.

International organisations such as OECD label Australia as lacking in regulation harmonisation.

Many NSW Business Chamber members have highlighted the issue of overlaps and inconsistencies across States and Territories.

Apart from existing overlaps, NSW Business Chamber members have emphasised that new regulations are not being evaluated adequately with respect to the potential or likely inconsistencies that they could generate.

There is widespread unease in the areas of occupational health and safety, workers' compensation, and vocational education and training.

Additionally, some more specific examples of existing overlaps and inconsistencies were raised by Chamber members. These are listed below.

Example (1) MANUFACTURE OF BUSES AND COACHES

- School buses in WA are required to be fitted with seatbelts, unlike those in NSW (Australian Design Rules and the Motor Vehicles Act).
- School buses in NSW and other Eastern and Southern States are required to have flashing lights, whereas those in WA are not.
- School buses in WA are required to be painted orange with a stripe, whereas there is no specific colour specification for buses in other States.

Example (2) MANUFACTURE OF MINIBUSES

- Under RTA regulation 146, minibuses are required to be fitted with an automatic door interlock system. This is not a requirement for the other States. NSW alone requires an entry door obstacle detection test for minibuses, which costs a prohibitive \$7,500 per test. The NSW Business Chamber member who provided this information noted that this requirement prevents his business from selling minibuses at all.

Example (3) FOOD PRODUCT MANUFACTURING

- Meat Industry Authority conflicts with the local health department.
- ACCC, ANZFA and AQIS are all in conflict with each other and with other regulatory bodies.
- There are multiple audit inspections.
- There are multiple regulations for goods' transport and also hazardous goods labelling.
- Australian Meat & Livestock Corporation conflicts with the Department of Agriculture.
- There are multiple waste discharge schemes and bodies at the Commonwealth, State and Local Government levels (e.g., Regional Waste Boards, Industry Waste Reduction Plans and the Australia and New Zealand Environment Conservation Council).

ISSUES:

- Certain regulations can result in artificially high production costs for one variant of a particular good, making its sale less profitable (or even loss making) in one jurisdiction over others.
- The administrative costs of complying with duplicated regulation are passed down to the customer.
- As domestically produced products become more costly, foreign produced products become more attractive substitutes.
- As the difficulty of running a manufacturing business increases, there is a powerful inducement to relocate some or all parts of the business offshore.

WHAT BUSINESS NEEDS:

- More extensive and rapid streamlining of various Commonwealth and State requirements in the areas of consumer safety, industrial relations, and occupational health and safety.
- Ongoing and well-communicated consultations with businesses, so as to identify quickly the particular inconsistencies that are impeding their operation and competitiveness.
- Evaluations of potential overlaps and inconsistencies across jurisdictions, prior to the developing or amending of regulation.

RECOMMENDATION:

- Identify major regulatory inconsistencies in the manufacturing industry and develop a common national reform plan.

Sources

1. NSW Business Chamber, face-to-face interviews with selected member companies, 2008

Companies interviewed in the Manufacturing and Distributive Trades industry can be grouped as follows:

- (i) Primary Metal and Metal Product Manufacturing
 - (ii) Fabricated Metal Product Manufacturing
 - (iii) Textile, Leather, Clothing and Footwear Manufacturing
 - (iv) Transport Equipment Manufacturing
2. NSW Business Chamber, *Fixing the Federation: Australian Business Priorities 2007*
 3. NSW Business Chamber, *Submission to Food Regulation Review, 2005*
 4. Sydney Chamber of Commerce, *Red Tape Register, 2003*

Items 2 to 4 can be found in a separate document attached.