

Beware red tape. By John Lloyd, The Australian, 2 January 2015.

OPPRESSIVE red tape is damaging the business environment in Australia. Business owners and their representatives find it difficult to convince governments and their regulators that this is a serious problem.

Of equal concern is the harm red tape causes individual Australians. At every turn, red tape and penalties for infringement harm the amenity and in some cases the livelihoods of citizens.

As red tape commissioner in Victoria, I saw people reach a tipping point when mindless regulation made them question why government had become so divorced from reality.

A resident of Kinglake lost his business in the 2009 Black Saturday fire. The family home was saved. However, an access road to the house crossed a creek and a small bridge was destroyed. Attempts to have the bridge rebuilt came to no avail, so the resident rebuilt the bridge at a cost of \$50,000. The government department then informed him he would be charged a fee of \$180 a year to use the bridge he had built. The resident was obviously affronted by the ruling and chose to fight for common sense to be used to waive the fee.

I encountered similar examples of mindless red tape every week while in the job of red tape commissioner. The crucial challenge to reduce red tape is for ministers to be engaged. Ministers have to ensure their agencies are accountable for making tangible changes to remove or reduce red tape. Government is now so complex and the mountain of regulation so vast that it is easy for a regulator to resist meaningful reform.

Governments also have to be prepared to take a stand against pleadings from special interest groups that oppose change. Such pleadings are often made to protect anti-competitive privileges.

In Victoria it now takes 10 years or longer to gain approval for a quarry and begin operations. Demand for crushed rock is outstripping supply as investment in new quarries has stalled. Melbourne has the benefit of a good supply of rock, but it is not being developed.

An international cement company decided to invest in a quarry on the outskirts of Melbourne. The project competed for funds against other parts of the international conglomerate. As the Victorian approval process dragged on the firm diverted money allocated for Melbourne to a project in Europe where approval was more swift. The Melbourne project was scaled back resulting in less product and fewer jobs.

This example highlights a hidden danger of excessive red tape. Firms quietly prefer to invest in other states or countries. Capital is highly mobile and multiple investment choices are available. Why incur significant holding costs associated with delayed approvals when returns are available elsewhere?

A sensible balance between business growth and regulation is being lost. Regulators and policy advisers often show a disdain for the needs of business and the competitive pressures to be overcome to survive, let alone grow.

Structural barriers intrinsic to the public sector persist. For example, too often a product imported from a first-world country with high quality standards is subjected to a special

Victorian test before accreditation. This often has an anti-competitive undertone. In one case the test was carried out by a laboratory owned by a firm that competed with the importer.

Technological innovation is foreign to some regulators. A hotel can be found to be in breach of its licence when its CCTV equipment has been upgraded to digital because the licence stipulates VCR technology be used.

The conversion of a truck engine to dual diesel-liquefied petroleum gas systems can be undertaken at only one laboratory in Australia, in Perth. As a result, the conversion cost for an east coast truck is up to \$350,000.

Technology from the US is available that allows mobile laboratory conversions at a cost of less than \$50,000 yet Australian regulators resist embracing the new technology.

Sometimes when technology is relied on by regulators the outcome is absurd. A winery planning a development was denied approval because it involved removing a tree. The regulator's officer identified the tree from Google maps. A site inspection would have shown the supposed tree to be an electricity pole.

Field officers are often officious and insensitive. The treatment of residents affected by the introduction of tough bushfire management rules was, at times, appalling. Many were suddenly unable to build a dwelling and faced financial ruin. Some victims who pleaded with staff about unfair treatment were told to "cop it and move on".

Many challenges remain to remove oppressive red tape. The need to address the laws and regulations and insensitive administration of them by regulators will be a constant challenge for federal, state and local governments.

The Napthine government's approach to red-tape reform was sound. It was based on the need to inject business views into the red-tape reduction effort. However, the execution was less than ideal. The government's own internal red tape slowed the implementation of some of the reforms.

It is to be hoped that a strong engagement with business continues. Significant and tangible red-tape reform without that engagement will be inadequate. Australian and Victorian businesses will remain subject to an anti-growth red-tape regime. Australia's poor ranking of 124th in the world for the extent of red tape is proof that the task requires urgent and determined attention.

John Lloyd was Victoria's red tape commissioner and is the newly appointed federal Public Service Commissioner.