

6 May 2014

The Hon Josh Frydenberg MP
Parliamentary Secretary to the Prime Minister
Parliament House
CANBERRA ACT 2600

Dear Josh

Cutting Red Tape

Thank you once again for speaking at our joint lunch with CCH on Thursday, 27 March on this most important topic. You certainly gave our Executive and other attendees a clear indication of the Government's desire to significantly reduce Red Tape which was already evident from the introduction of the Omnibus Bill the day before which detailed regulation reductions of in excess of \$700m.

As you know, the Group of 100 has been particularly focussed on assisting this process by establishing industry sub-groups to review regulations affecting their industries and to recommend changes to those regulations.

Our approach to reform is built on the following three key building blocks:

- Reviewing regulations which were introduced without proper regulatory impact assessments.
- Streamlining Commonwealth regulation that results in duplication, complexity and cost to business.
- Supporting a nationally consistent and harmonized approach to Federal, State and Local Government regulation.

We have completed our review in 5 industry Sub-groups namely:

1. Financial Institutions
2. Retail
3. Manufacturing
4. Utilities, Infrastructure and Transport
5. Services

The Overview, together with 5 separate submissions, is attached for your consideration and distribution to the relevant Ministers and Government Departments. We suggest that many of these recommendations could be included in the September 2014 tranche of regulatory reductions and we will provide appropriate contacts within each industry should they be needed.

Significantly, none of the recommendations made are included in your first repeal day initiatives.

You will note that a great deal of work has been undertaken by many people within our member organisations. In order to ensure that the momentum of this project is maintained it is important that this project continues to have high visibility and that the work undertaken to date does not go unrewarded.

Implementation of the G100's recommendations is estimated to result in cost savings in excess of \$1billion over the time periods suggested. These potential cost savings are conservative and are based on estimates prepared by the respective working groups which used the mid-point of all cost ranges other than 'high' cost items where the low point is used.

In closing I would like to reiterate the points I made at our lunch on the 27 March:

- The Group of 100 memberships are at the "pointy end" of the impact that excess regulation has on the productivity and profitability of Australian business and is therefore in a strong position to assist in the process.
- We are acutely aware that this is only the beginning of a much longer journey that we are more than willing to be a part of but we also acknowledge that it requires the political will to maintain the momentum already achieved. In this regard we are encouraged by recent actions in issuing consultation documents on coastal shipping, the emissions reduction fund and corporations law amendments.
- We have noticed, and are encouraged in our dealings with Government Departments, that a significant cultural shift in relation to deregulation is occurring. However, strong Government leadership is required to maintain this message.
- A strong partnership between Government and Business is necessary for this program to succeed. It is obvious that Business does not always understand the legislative process and that Government does not always understand the impact that changing regulations has on Business. If we can work together it may not be necessary to have to undertake an exercise in "Cutting Red Tape" ever again.

Please call me on 0417 200 040 or Peter Meehan our CEO on 0417 509 022 should you want to discuss this further.

Yours sincerely
Group of 100 Inc



Neville Mitchell
President

c.c. Senator The Hon Matthias Cormann, Minister for Finance and Acting Asst. Treasurer
Ms Jan Harris, Executive Director Markets Group – The Treasury
Mr Rob Herefen, Executive Director Revenue Group – The Treasury
Mr Peter Chenoworth, Head Portfolio Regulation Reform Task Force
Ms Jennifer Westacott, Chief Executive Officer, Business Council of Australia



SUBMISSION TO GOVERNMENT

CUTTING RED TAPE

{May 2014}

APPENDICES

- A. Financial Institutions**
- B. Utilities, Infrastructure & Transport**
- C. Services**
- D. Retail**
- E. Manufacturing**



SUBMISSION TO GOVERNMENT

CUTTING RED TAPE OVERVIEW

{May 2014}

WHO WE ARE

The Group of 100 (G100) is Australia's peak body for chief financial officers and senior finance executives from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. A primary goal of our organisation is to ensure that Australia's commercial and regulatory environment is one which advances the interests of Australian business and which encourages private and public enterprises to grow and compete in today's highly competitive environment.

OUR APPROACH

The G100 approach to regulatory reform ("Cutting Red Tape") includes:

- reviewing regulations which were introduced without a proper regulatory impact assessment
- streamlining Commonwealth regulation that results in duplication, complexity and cost to business
- supporting a nationally consistent and harmonised approach to Federal, State and Local Government regulation.

The G100 believes that it is essential that there be transparency and accountability of regulatory processes such that good policy and regulation making practice is designed to avoid duplication, complexity and unnecessary cost. This implies that the making of regulations is subject to industry and broadly-based consultation, is assessed as being fit for purpose including rigorous cost benefit analysis prior to the release of a new or revised regulatory requirement and is subject to post-implementation review to determine whether it is operating as planned. The G100 agrees with the current approach by the Government which requires the preparation of a Regulation Impact Statement which quantifies the impact on business and the community for all regulation without exception.

WHAT WE HAVE DONE

The G100 established five industry-based working groups with the purpose of identifying unnecessary regulation and proposing how reform can be achieved. Work in respect of Financial Institutions, Utilities, Infrastructure and Transport, Services, Retail and Manufacturing has been conducted to date. Other industry working groups will be established in the next phase of the project.

The working groups reviewed regulations from the perspective of the relative urgency of the need for reform being, immediate, (less than 6 months), short-term, (from 6 months to two years), and medium-term, (from two to five years) and the cost profile of the regulation.

Working groups, except for financial institutions, classified the potential cost savings of items as follows:

- low, less than \$1million;
- medium, from \$1-10 million; and
- high, more than \$10 million.

For financial institutions the following classification of potential cost savings of items was adopted:

- low, less than \$10million;
- medium, from \$10-100 million; and
- high, more than \$100 million.

Specific items identified by the industry working groups and a recommended course of action are outlined in more detail in the following separate industry-based reports:

- Financial Institutions (Appendix A)
- Utilities, Infrastructure and Transport (Appendix B)
- Services (Appendix C)
- Retail (Appendix D)
- Manufacturing (Appendix E).

WHAT ARE THE COST SAVINGS?

Implementing the G100's recommendations is estimated to result in cost savings in excess of \$1billion over the time periods suggested. These potential cost savings are conservative estimates which are based on estimates prepared by the respective working groups by using the mid-point of all cost ranges other than 'high' cost items where the low point is used.

WHAT WE HAVE FOUND

Major themes identified by the working groups include:

- **Regulatory Duplication and Excessive Data Reporting**

The existence of different regulators dealing with the same or similar products or activities which may involve different and conflicting requirements adds to the cost burdens on business and the levels of frustration associated with satisfying the requirements of different regulators. For example:

- (i) the number of food safety regulators;
- (ii) dual regulation of financial advisors by ASIC and the Tax Practitioners Board;
- (iii) the existence of multiple agencies for data messaging and electronic standards in the financial sector (APCA, RBA, APRA, ASIC and ATO). Compliance costs and payments system inefficiencies impose high costs on businesses. A coordinated and consistent approach would reduce operating risk and complexity, enhance productivity and result in significant cost savings.

This is particularly significant for the second phase of Superstream which should be delayed to allow analysis, coordination and improvement of payment systems to the benefit of government, employers and superannuation funds;

- (iv) APRA and ASIC requirements regarding managed investment schemes. Following a "Stronger Super" amendment, clarification is needed in respect of the *Corporations Act* so that dual regulated companies that meet APRA's financial resource requirements are deemed to have satisfied the *Corporations Act*. Removal of the former exemption creates significant cost and compliance burdens because of duplicated requirements and the loss of efficiencies in operation such as strategy, risk and investment management;
- (v) conflicts between the "Stronger Super" requirements and Fair Work Australia in respect of default funds;

- (vi) the APRA requirement (following 2010 Corporations Act amendment) that regulated entities continue to present parent entity financial statements and notes in a group's annual financial report rather than lodging separately with ASIC.

[Note the amendment permitted parent entities that are AFS licensees to either continue to include full parent entity financial statements in the group's annual report or lodge with ASIC].

- (vii) regulations relating to Corporations Law disclosures on loans, equity holdings and other transactions. The transfer of the Australian-specific AASB 124 *'Related Party Disclosures'* requirements in the Corporations Regulations has resulted in unintended drafting anomalies in respect of disclosure of equity holdings of key management personnel, level of disclosure detail for holdings of equity, options and rights, and transactions involving non-recourse or limited recourse loans to purchase shares;

- (viii) recent changes by ASIC to the substantial shareholder disclosures as set out in Regulatory Guide 5 requires financial institutions and other entities to provide a greater level of detail in disclosure, including the listing of individual trades. This granular, transactional level data creates significant administrative and cost burdens and results in voluminous reports with little market or regulatory benefit

- **Differences Between the Commonwealth and States (and Local Governments)**

Different Commonwealth and State requirements mean that businesses need to maintain a number of different data collection, reporting and compliance systems to enable them to satisfy the requirements. For example:

- (i) excessive and varying emissions and energy efficiency reporting and related regimes between Federal and State (see below)
- (ii) varying Occupational Health and Safety requirements and reporting which differ substantially from State to State
- (iii) unnecessary retail energy price regulation
- (iv) complex, slow and varying plant construction approvals processes
- (v) overly restrictive retail trading hours and other requirements such as container deposits and transport and delivery restrictions
- (vi) inconsistent Local Government regulations including planning, food safety, noise, trolleys etc
- (vii) inconsistency in state-based general insurance regulations including different rates of stamp duty
- (viii) inconsistency of workers' compensation requirements
- (ix) inconsistent and varying gambling regulations.

The lack of coordination is a major barrier to establishing common national markets and achieving efficiency in operations while imposing unnecessary costs and compliance burdens on business.

Addressing these issues points to the need for national harmonisation and coordination to achieve a nationally consistent approach, the absence of which places significant cost burdens on businesses, impairs efficient operations and constrains improvements in productivity.

- **Emissions Reporting and Related Regimes Including Environmental Protection.**

For example:

- (i) Different State-based reporting regimes

- Multiple reports and filings for gas and electricity between States are costly and time consuming to compile requiring different data collection and reporting systems with little or no benefit.
- Duplication of data required for environmental compliance reporting (EPA licence annual returns, compliance sampling and testing etc). There is need for a national portal or data base to facilitate collation of data obtained from companies.
- The “water trigger” amendments to the *Environmental Protection and Biodiversity Conservation Act* add an unnecessary additional layer of regulation to existing rigorous State-based regimes which increases costs and delays progress and completion of projects.

- (ii) *Energy Efficiency Opportunities Act 2006*

- These requirements are onerous and prescriptive in operation (such as requiring board involvement that cannot be delegated) and are largely duplicated by the Emissions Reduction Fund.

- (iii) National Greenhouse and Energy Reporting

- Streamlining of reporting obligations by focussing on material energy and emissions sources (and not every emission) would facilitate data collection, reduce the regulatory burden and costs without adversely affecting the completeness and usefulness of the reportable data.

CONCLUSION

The G100 welcomes and strongly supports the Government's initiatives to achieve regulatory reform and the passage of the Omnibus Bill on 26 March 2014. We believe this is an important first step in an ongoing program which involves changing the culture and approach to regulation and continues to capture the momentum of reform. As part of this process it is essential to move quickly to implement a range of reforms and to consult extensively with the business community to identify unnecessary and excessive regulation. The G100 will continue to be an active participant in this process and will continue to make a positive contribution to maintain the momentum of regulatory reform.