

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget estimates 2020-21 (Pearson)

Melbourne—Tuesday, 1 December 2020

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

Ms Bridget Vallence

WITNESSES

Mr Danny Pearson, MP, Minister for Regulatory Reform,

Mr David Martine, Secretary, and

Ms Trudy Hart, Acting Deputy Secretary, Economic Division, Department of Treasury and Finance.

The CHAIR: The committee will now resume with its consideration of the portfolio of regulatory reform. Thank you for joining us again, Minister and officials. Minister, if you would like to make a 5-minute presentation, it will again be followed by questions from the committee. Thank you.

Mr PEARSON: Thank you, Chair. As Victoria's first Minister for Regulatory Reform I am super-excited about the potential to be able to carry through a regulatory reform portfolio that offers the unique opportunity to make a potential impact on the state's road to recovery.

Visual presentation.

Mr RIORDAN: If you are that excited, could you have found a better graph to start us with?

Mr PEARSON: I like it; it is quite fetching. Victoria started the year off in good shape. However, the viral pandemic, the closure of national borders and life-saving restrictions have had an unprecedented impact on jobs, trade and economic activity.

As government works to help rebuild businesses, especially small and medium-sized businesses that have been most impacted, regulatory reform will have a significant role to play. Stimulus and support packages have helped carry businesses through this crisis, but equally important is the task of ensuring a well-functioning regulatory system that helps not hinders the economic recovery. Victoria has a strong regulatory environment, and regulatory reform can enable new opportunities for businesses in a COVID-normal world. More than ever, now is the time for regulatory agility that minimises regulatory burden and meets the needs of Victorians. Going forward, businesses and consumers can rely on Victorian regulators to make sure rules and practices remain proportionate to harm, become easier to deal with and make quicker high-quality decisions. Better Regulation Victoria provides independent advice to the government on improving Victoria's regulatory performance.

Since the onset of COVID-19 Victorian regulators have worked with a great degree of agility. This has allowed us to meet rapidly changing demands that have had immediate and tangible impacts. For example, the decision to freeze fees and charges has eased the financial burden on businesses and consumers. A number of regulators now undertake their audits and inspections remotely and/or virtually where it is safe to do so, resulting in enforcement and compliance efficiencies. Various licence restrictions have been reviewed and amended to minimise regulatory restrictions where possible. For example, restaurants with current liquor licences are now able to deliver alcohol—a small but effective change. The government has also incorporated flexibility in allowing work to continue. On some building sites, for example, working hours have been extended where appropriate, and for those who have not been able to use licences obtained prior to COVID-19-related restrictions, extensions have been improved. Game hunting licences, for example, have been extended by 12 months.

Going forward, the 2020–21 budget has allocated \$74.8 million over four years to deliver a comprehensive regulatory reform agenda. The agenda builds on existing regulatory reform activities, with 11 additional regulatory reform initiatives. Our priority is that the agenda supports economic recovery, and the regulation reform initiatives include a \$40 million allocation to establish a regulation reform initiative fund. The fund will focus on supporting departments and local governments to implement priority reform initiatives. Strict criteria and oversight will be put in place to ensure programs funded under this initiative support economic recovery and job creation and deliver value for taxpayers.

A fast-track review unit will undertake speedy reviews of regulatory issues that are significantly impacting businesses, and the focus here will be to expedite practical solutions. A business licensing improvement initiative will review how licensing is done. Where there are opportunities to reduce or consolidate licences required to conduct business, changes will be made. The agenda will also include two better approvals

programs. These will prioritise working with local government and regulators to make various approvals processes simpler, easier and faster for businesses. These better approvals initiatives are both based on the successful first round of the better approvals program. The initial round will help streamline council processes and ensure consumers and businesses remain a priority.

Changes implemented by participating councils include business concierge models to provide the conduit between the applicant and subject matter experts across council departments, single application forms that create the same streamlined experience for applicants and online landing pages with simplified information. Councils in the first round saw improvements to approval processes, including a reduction in average approval times for multipermit applications, from 124 days to 49 days. The program also drove positive changes in councils around culture, innovation and willingness to adopt change.

Initiatives in the agenda will also work to support the take-up of new technologies by regulators to help streamline and improve processes, enhance the experience people have dealing with them and modernise communications.

In addition to the budgetary initiatives, a range of works is already underway to strengthen the regulatory system while supporting Victoria's economic recovery. A strong building and construction sector is key to revitalising the Victorian economy. Making sure regulatory systems support economic activity within the sector is a priority. An expert panel has been established to identify how the Victorian building system can be made fit for purpose, more responsive and contemporary. Work is also underway to fast-track priority building and construction projects identified by the Building Victoria's Recovery Taskforce. I will leave it there.

The CHAIR: Thank you, Minister. And I will pass to Mr Tim Richardson, MP.

Mr RICHARDSON: Thank you, Chair. And thank you, Assistant Treasurer, for that outline of the presentation. Obviously the budget and future budgets will be seen in the context of the coronavirus pandemic and responses going forward. I am interested in how the regulatory reform agenda has been informed by the coronavirus pandemic.

Mr PEARSON: Yes. Thanks, Mr Richardson, for your question. The dramatic events of this year have played a big part in motivating both the shape and impetus of our regulatory reform agenda. I think from our perspective as a government we are trying to use every tool available to us to support the economic recovery and job creation that Victoria needs right now, and regulatory reform is a critical part of that toolkit. I think if you look at it from that perspective, Mr Richardson, we are seeing, as I indicated in my previous presentation and previous evidence, really high savings rates. They are the highest they have been since 1974, so there is a lot of built-up, pent-up demand. We know that businesses have really struggled in relation to the crisis and the impact that that has had upon their ability to operate, and I think there is a really fantastic opportunity for us to use the power of the state, working in conjunction and in a supportive way with local government to really drive greater levels of efficiency and reform.

I will confess that I am a bit of a strong supporter of the 1991 Premiers conference, which underpinned the competition reforms of the 1990s, whereby the Hawke government indicated to states and territories that were they to reform and were they to be more competitive, funding would be provided by the commonwealth—a very simple concept, a very simple idea. But that underpinned the competition reforms of Fred Hilmer and the National Competition Council and the payments which the commonwealth made to states who reformed—who took up the challenge and found ways in which they could drive greater levels of efficiency and reform.

For me, one of the things I am really attracted to is the \$40 million Regulation Reform Incentive Fund. I can sit here and pontificate on high and say that councils need to do better and councils need to improve their efforts, but I do not think that is going to get me particularly far, despite my best arguments. However, if you are able to turn around and say to that council, 'Well, look, I've got an idea. I think there's ways we can look at trying to improve your operational efficiency, that we can try and use digital service offerings to improve your efficiencies and reform your internal processes, and I'm going to put some money on the table that'll help you do that', I reckon a lot of councils will be up for that. I mean, I reckon they will sign up to that.

It is a really interesting proposition, Mr Richardson, because I think that it is the Holy Trinity. I am not a religious person but I will quote the Holy Trinity in the sense that where you have got really good investment in IT, you have got process redesign and you have got the culture right, then you drive greater levels of efficiency

and reform. Now, we are a bit like—it might be a bit blokey to say it—the benched AFL player that did their knee earlier in the season and we have been stuck in the gym doing rehab and work. I want to make sure that when business gets out on the field that they are in the strongest possible position they can be in, they can seize advantage of the pent-up demand that has been created over the course of this year and that the regulatory burden is reduced as much as we can. I think that finding ways in which we can look at improving our internal processes and the way in which we work with local government and we incentivise local government to reform—I think that is really important.

I think the other point to make, Mr Richardson, is that when you think about it, sometimes regulators tend to work in a silo. As we know, in terms of great efficiencies, great reforms, it is where you have got the opportunity to collaborate in an agile and nimble workplace. It is about the theory of clustering, which Mr O'Brien I think would know from his economics studies—the fact that a workforce of 1000 staff will be on a per capita basis more efficient than 10 workplaces with 100 workers. You derive greater levels of efficiency and reform by that clustering and that agglomeration. I think that when you look at some of our initiatives, I want to try and work out with some of our regulators: who is best practice, who is doing great work, can that be modelled and can that be emulated, can those lessons and learnings be shared across to other regulators to drive greater levels of efficiency?

I mean, we have all seen it in different workplaces. We have all had different lived experiences, but you know the people I am talking about: 'I did it in—insert year—it was fine then, it is fine now, I will not change, I will not reform, I will not alter, this is how it's done and ever more thus it will be'. Now, I do not reckon that is really where we should be in the 21st century. I think we should be embracing technology and innovation, we should be embracing reform, we should be driving efficiencies and reforms. We should be looking at the way in which you can look at someone and say, 'Look, I really like what you're doing. Can we share? Can we collaborate? Can I try and understand: what were your challenges, what were your learnings, what were your lessons, and how can we be better?'

So I think with the suite of reforms we have got before us through this budget, it is exquisite, in terms of the array of opportunities that lay before us to drive those greater levels of efficiencies and reform, by putting money on the table and working in a constructive and collaborative way. I think in these circumstances you do not want to lecture, you do not want to tell people that 'Everything you've done to date is terrible and it's got to be thrown out and you've got to start again'. But I think you can turn around and say, 'How can you be better, how can I be better, how can we be better, and how can we use these initiatives to drive greater levels of efficiency and reform?'. Because the offering is there, right? There is so much there and we can increase our productivity.

I think if you look at the three key elements of economic growth, it is the three Ps. It is population, it is participation and it is productivity. We cannot do much about the first, because our borders are shut, but they will open soon. But we are focused on participation; we want to get women back to work, and that is a really important initiative. And it is about productivity: how can we be better? Yes, some of it is on the capital side of the budget, those significant capital allocations to major infrastructure projects, like the Mordialloc bypass, which is a fantastic project. I actually call it the Richardson Boulevard, but nonetheless. You can have those sorts of investments, but you can also do stuff here in this regulatory space. The City of Glen Eira are doing some fantastic work by using data and greater levels of efficiency to drive those reforms. And it means that you can have your staff doing more meaningful work. I was talking to the chief executive officer at Glen Eira, and by their efficiencies and reform they have managed to reallocate two to three staff from statutory planning, which is a tick-and-flick exercise, to strategic planning. If I am a town planner, where do I want to be in 10 years time in my career? I would not want to be stuck in statutory planning ticking and flicking boxes; I would actually want to do the strategic planning work. So we are playing to our strengths, and you are enabling people to have a pathway forward.

Technology can be a great enabler and it can drive real significant reforms. The exciting thing about this budget—\$74.8 million; the Regulation Reform Incentive Fund of \$40 million—provides that opportunity to really take the opportunity that this crisis has given and find something positive. For so many people this has been such a dreadful year. It has been so terrible. But we can find some positives to take out of it, to try and find ways where we can drive those reforms and to be nimble enough to reflect and recognise the fact that this is a different environment. The Victorian government's outdoor eating and entertaining package is a concept. That was unheard of 12 months ago. You just imagine it: the idea of trying to take away car parking spots in high

streets for outdoor dining, you would have just been up to your waist in mud trying to wade your way through that in a policy sense. But the circumstances have changed, and to local governments' credit they have embraced that and we have been able to embrace that as well.

So this suite of reforms that we have got I think is really important. Going forward, there is the ability to think about making temporary measures permanent—like looking at changes in the construction industry, online planning panels, extending construction site hours—temporary measures that made it easier to drive those greater levels of efficiency. I think if you think about it too from one sense, we have all done this. If you had said 12 months ago that in 2020 you were going to do most of your meetings online via Teams or Zoom you just would have been laughed out of the room. No-one thought it was possible. We did not even believe ourselves that we could do it, yet we were able to do it because we made these sorts of investments. It is about making sure that we have got the right regulatory framework in place to continue to be able to innovate, to reform, to make sure the regulations that we have got reflect the needs and the aspirations of the community and that you are constantly updating and improving and you are looking further afield and you are looking overseas at what they are doing

Again, I mentioned earlier about New Zealand. New Zealand is a great institution and I do not think we give New Zealand the credit that it deserves. They are innovators, they do things differently, they think differently, they collaborate. There is a lot we can learn from New Zealand. They are a similar sized jurisdiction, they have got similar issues, they have got a similar budget size, they have got a similar structure of government. There is a lot we can do if we are prepared to learn and if we are prepared to collaborate. I think these sorts of funding, these sorts of initiatives, are really important because they give us a seat at the table. They enable us to have those constructive positive discussions and we can really run with it. It is a great time to be the Minister for Regulatory Reform.

The CHAIR: Thank you, Minister. Mr Danny O'Brien, MP.

Mr D O'BRIEN: Thank you, Chair. I take back what I said before about wanting you on this side, Minister, because clearly you were born for the regulatory reform portfolio. Your zeal and enthusiasm for it are outstanding. It reminds me of a tome that I am sure you will recall because I know of your interest in ancient history. I am sure you have read Bruce Bartlett's 'How Excessive Government Killed Ancient Rome'. It was in 1994 that he wrote it. It was probably at the height of your life as an adviser. But you will recall the opening paragraph, which refers to how parts of the Mediterranean became:

... highly regimented, depriving individuals of the freedom to pursue personal profit in production or trade, crushing them under a heavy burden of oppressive taxation, and forcing workers into vast collectives where they were little better than bees in a great hive.

Do you recall that?

Mr PEARSON: Please go on. I find it fascinating.

The CHAIR: Mr O'Brien, do we have a budget reference?

Mr D O'BRIEN: It was just a little context, Chair.

Mr PEARSON: In Ancient Rome officials would often audition to become governors of certain provinces. Apparently at the time Syria was seen to be a desirable province for which to be a governor. Are you auditioning for Syria, Mr O'Brien?

Mr D O'BRIEN: How things have changed, Minister. Can I add a note of seriousness, though. The DTF website states that Victoria aims to have the most efficient regulatory system in Australia, leaving aside Syria and Ancient Rome. In all seriousness, what is your time and date for achieving that target?

Mr PEARSON: Well, look, Mr O'Brien, I think there are two ways to probably answer that question. There is clearly the funding that has been allocated in the forward estimates, and that gives a funding profile sense as to the way in which we will appropriate funds to do this work. I think this work will be ongoing. Mr Limbrick might have a different view on some of these questions, but I think that if you look at it from a point of view, regulation exists because it has been determined that it should be in place, and usually it is in place because there has been some form of market failure, as a general principle. So I probably take the view that there is a

need to regularly review regulation to make sure that that is indeed apposite and relevant to the needs of the times, but it is about trying to find that right balance. I think it is also about, as I was indicating in my evidence to Mr Richardson: how do you use technology and digital and data and indeed AI to find ways where we can drive those reforms?

Mr D O'BRIEN: Minister, I am just after a time when we are going to be number one in the country.

Mr PEARSON: Well, I mean, I think that—

Mr D O'BRIEN: Perhaps if I could assist. You will recall, because I know you recall every part of PAEC when you were Chair, in 2016 for the 2015–16 budget Mr Dalidakis was then the minister and announced that the government had:

... a comprehensive review of both legislation and regulation that impacts upon our small businesses ... what we are looking to do is have that review identify any regulatory barriers that are stopping our small businesses from thriving.

That was five years ago. Yes, you might be right that it is an ongoing process, but why are we not already the most red tape-free jurisdiction in Australia if that target was set back then?

Mr PEARSON: Well, I think that was Mr Dalidakis referring to the small business portfolio, and I appreciate that I am talking about regulation in a broader sense. I think one of the challenges to your question, Mr O'Brien, is quantification. How do you quantify it? You might be able to aggregate certain experiences, but if you have got particular outliers that are challenging, that would lead to a degree of disagreement. So let us suppose, for example—and I am not sure if you could do this, but—

Mr D O'BRIEN: Sorry, I have only got limited time, Minister, but the—

Mr PEARSON: We have got all night, Daniel!

Mr D O'BRIEN: I know! No. That review set out the small business targets, and you talk about quantifying. Can you quantify what specific reductions in compliance burden have been achieved by the government as a result of that?

Mr PEARSON: Look, what I could point to would be looking at some of the savings we have had in terms of the better regulation review work that was done with local government, and that found that for a multipermit application approval times for businesses that dropped from 174 days to 49. So usually if you are a business making a multipermit application to council I suspect that you are probably a small business—not always, but I think small businesses will often look at that. So that was the better approvals program, which was led by Small Business Victoria, resulting in those outcomes.

Mr D O'BRIEN: True, but that was changing council red tape.

Mr PEARSON: Yes, that was in relation to councils. Often I think that councils are where many small businesses tend to interface, and I think if you look at it from a small business perspective, their engagement with state government would be through maybe the SRO through payroll tax or land tax, WorkCover, or maybe if there is an issue around a main road they might have an issue. To some extent our engagement with business and an ongoing dialogue with business is probably less than the other two tiers of government, if you follow.

Mr D O'BRIEN: Yes. Well, with one specific sector that did touch state government—the construction sector review last year—can you give me an idea of what the savings for small construction businesses were out of that?

Mr PEARSON: I am not sure, Mr O'Brien. I will just see if I can provide you with some information on that. I might need to take that on notice, Mr O'Brien.

Mr D O'BRIEN: Okay. Well, likewise, I have only got 30 seconds left, but the retail sector review, which sat alongside that—both were run through, I think, Engage Victoria—could you give an idea of what the actual savings for a small retail business were?

Mr PEARSON: I am not sure whether I would have that granular level of detail, but I will endeavour to try and provide information to the committee about the outcome of those reviews and provide any information relevant to that.

Mr D O'BRIEN: Thank you very much, Minister, and that gives me 2 seconds, so I will not go into the next question. Thank you.

The CHAIR: Thank you, Mr O'Brien. I will pass to Mr David Limbrick, MLC.

Mr LIMBRICK: Thank you, Chair, and thank you, Minister. You are right; I do have a different view on these things, but I was very interested in what you were saying about some of the things people thought were impossible year ago—so things like the restaurants with the car parks and delivering alcohol. People thought the world was going to end. My view on this is that the creative and economic potential that always existed has been stifled by government—not just your government but all governments—for a very long time, and then all of a sudden we have realised that deregulating these things can open up these potentials. How are you going to identify in the future and continue this process of opening up things that people thought were impossible? They thought the world was going to end if people delivered alcohol to people's homes, for example. How are you going to continue and identify this and allow more excessive regulation to be removed?

Mr PEARSON: Yes, look, I think the way forward on these questions is to be seeking to regularly engage with the sector. I think it is about trying to work with local government, and I think that there is a really great opportunity to collaborate with local government on these questions. I think there is an opportunity to listen to business and listen to the community and try to understand what they are seeing and what they are experiencing.

Again you will have to forgive me, but I am a digital nerd, I am a data nerd. I just love this stuff, and I think this has got enormous capacity. And so when you have got that digital transformation and you have got digital disruption it is by its nature disruptive, right? So then it starts to change the way in which governments and businesses operate, and it creates those sorts of opportunities, and that leads to the ability for further reform. Now, I think the key here with this is, as an elected representative and as the minister responsible for regulatory reform, I have got to be on the front foot being prepared to listen and identify those opportunities and to try to work out whether they should be explored or pursued or not.

Now, again, we do have a philosophical difference. I would probably tend to take the view that regulations are usually there for a reason, and there are times when we have deregulated or we have had no regulation and people can game the system. For example, if you look at some of the challenges we have had with waste chemicals and the way in which toxic chemicals have been haphazardly stored because there was not a degree of regulatory oversight and because people could game the system, that is market failure, and clearly I think there is a need for appropriate regulation to try and address those sorts of issues. But I think it is about trying to make sure that the regulations of the day reflect the aspirations of the community.

The Committee for Melbourne did some great work with John Elliott and Bill Kelty in about 1991, I think, and one of the initiatives was to get rid of—I think it was—the Tomato Marketing Board, which I am sure would appreciate Mr O'Brien. The view put then was that it was a waste of money—that tomato growers were being forced to pay for this marketing board that was not particularly good, was not particularly effective and did not work. That was I think one of the many initiatives of the Kirner government, the abolition of the Tomato Marketing Board, but that came about because the government was prepared to listen, the sector was prepared to forcefully advocate, and it led to—in that case—a satisfactory outcome.

Mr LIMBRICK: So, on the issue of engagement, one of the measures on budget paper 3, page 371, is the proportion of people making inquiries to the red tape unit who found it responsive and helpful. It is actually quite a bit under what the target was. It was 71 per cent of people and the target was 80. What are you doing to improve that engagement with the red tape unit?

Mr PEARSON: So I think those numbers may indeed have been a consequence of the pandemic, because it was 2019–20. So it might have been that people were not necessarily getting the answer that they wanted, or they may have had some difficulty getting through. I think that might be the reason for that, as many of these measures have that. My answer to the question is to be going out there and talking with people. I have been delighted in the time I have had—I am just looking at my colleagues. I have been out at Cranbourne to have a

chat with—no, it was not Cranbourne. I was out at Narre Warren South for a session with a number of traders about regulation and about some of their challenges, so it is about being on the front foot, going out and talking with people about understanding what their needs are and how we can be better.

The CHAIR: Thank you, Minister, and that concludes our time for consideration of the regulatory reform portfolio—much to, I am sure, everyone's disappointment. We thank your supporters, your officials, for attending with you today, particularly those that have been with us all day. The committee will follow up on any questions taken on notice in writing, and responses are required within 10 working days of the committee's request. The committee will take a very short break and resume consideration of your portfolio, government services, at 6.20. Thank you.

Witnesses withdrew.