

**PRESENTATION TO THE
PARLIAMENTARY INQUIRY INTO THE
REGULATORY IMPACT STATEMENT
PROCESS**

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The international context

- ▣ Victoria & Australia are RIA pioneers
- ▣ RIA now used throughout OECD & beyond
- ▣ No country has abandoned RIA
 - Rather, it is almost always expanded over time
- ▣ RIA invariably has bipartisan support

The “state of play”

- ▣ Australia a keen OECD participant on RIA
- ▣ Both national & Victorian systems largely reflect OECD best practices
- ▣ BCA & PC reviews suggest Victoria is a leader within Australia
- ▣ But room for improvement does exist

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Costs and benefits of RIA

- ▣ RIA and sound policy processes
- ▣ Cost of RIA vs cost imposed by regulations
 - Net benefit if even incremental improvements
- ▣ Cost of RIA vs cost of the policy process
- ▣ OECD: RIA benefits greatly outweigh costs
- ▣ Many RIA benefits are hidden

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Improving the BIA process

- ▣ Best practice: similar RIA requirements should be applied to all types of legislative instrument
- ▣ Scope of Victorian RIA has expanded substantially in recent years: a good thing
- ▣ But BIA requirements fall short of best practice in key areas
- ▣ Addressing these issues would improve both credibility and usefulness of the analysis

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Improving the BIA process (2)

- ▣ Rebranding as "legislative impact assessment"
 - Will clarify the focus on maximising "net benefits to society"
 - Broadened scope, to include Bills imposing significant costs on any sector (cf: business only)
- ▣ Making BIA publicly available
 - Tabling in Parliament
 - Publication on websites
- ▣ Will better inform Parliamentary debate
- ▣ Also favours stakeholder/public participation

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Improving the RIS process

- ▣ Key importance of making RIS influential in policy making
- ▣ Potential benefit of a two stage RIS in this context
 - As per current CoAG RIS process
- ▣ Enhances public participation, hence accountability
- ▣ Should also substantially improved data flow, hence analytical quality
- ▣ Should be used for major regulations only

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Ex post assessment

- ▣ RIA is necessarily imprecise, because *ex ante*
- ▣ Subsequent verification of regulatory effectiveness is systematically underdone
- ▣ A requirement to submit an *ex post* assessment is thus needed
- ▣ This would create a presumption toward modifying or removing regulation found to be ineffective
- ▣ Scope should be again limited to major regulations: Possible annual cost threshold

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Omnibus regulations

- ▣ Some recent cases of 10 sets of regulations being combined into one
 - E.g. Public Health And Well-being, OHS
- ▣ A single RIS inevitably provides:
 - less detailed analysis
 - Lesser public scrutiny/involvement
- ▣ A need to address this through guidance materials (E.g. Cabinet Handbook)

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Is the RIS too technical?

- ▣ Proper analysis of complex policy may inevitably be complex
 - But is required for both policy and consultation purposes
- ▣ Potential to use the summary to provide a brief, non-technical outline
 - Could significantly improve participation
- ▣ Require significant change to current guidance
- ▣ Adopt a plain language policy

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The discount rate

- ▣ Current guidance is internally contradictory
- ▣ Read accurately, the current recommended rate is 1.5%
- ▣ By comparison, recommended rates in OECD countries vary from around 3% to 10%
- ▣ While a technical subject:
 - There is a strong argument for a much higher rate
 - Such a change will add credibility with business
 - It will also tend to limit the growth in regulation

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Other methodological issues

- ▣ Current guidance on value of a statistical life should be broadened to cover injury
 - greater consistency in approach and credibility
- ▣ Significant improvements in advice on risk analysis needed
 - Previously recommended by VCEC
 - Victoria lags behind best practice

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Conclusion

- ▣ Limited recent innovation in Victoria/ Australia
- ▣ Significant activity in some other OECD countries
- ▣ A need to monitor and analyse this to:
 - keep up with best practices
 - Improve the value of the tool
- ▣ Note the new OECD Observatory of public sector innovation

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Thank you

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