

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2021–22 Budget Estimates

Melbourne—Wednesday, 16 June 2021

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr James Newbury

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

WITNESSES

Mr Danny Pearson, MP, Minister for Regulatory Reform,

Mr David Martine, Secretary, and

Mr Chris Barrett, Deputy Secretary, Economic Division, Department of Treasury and Finance.

The CHAIR: It is a quarter past 10, so we will reopen this hearing of the Public Accounts and Estimates Committee and welcome back Minister Pearson, this time for consideration of your portfolio of regulatory reform. We invite you to make a 5-minute presentation, and this will be followed by questions from the committee. Thank you.

Visual presentation.

Mr PEARSON: Thank you, Chair. I would like to acknowledge the traditional owners of the land on which we are meeting, and I pay my respects to elders past, present and emerging and the Aboriginal elders of other communities who may be here today or any other First Nations people.

Chair, economic growth is essential to supporting Victoria's economic recovery and is supported by growth in three key areas known as the three Ps: population, participation and productivity. As Nobel laureate economist Paul Krugman famously said:

Productivity isn't everything, but in the long run it is almost everything.

There are natural limits on growth in the participation rate, and while population growth is an important part of the story in Australia, the current situation, with restricted national borders, means that population growth has stalled. So it is imperative that we focus on growing the productivity P as a key vehicle for long-term economic growth. There are quite a few ways this can be accomplished—for example, by improving so-called human capital of Victorians by improving our education and health systems, and certainly our government is focused on these. But alongside these I want to call out regulatory reform as an important lever that government can use to boost productivity.

A well-functioning regulatory system enables business to be productive and innovative, protects citizens and the environment from harms and gives consumers and business confidence. Victoria has a strong regulatory environment and regulatory system. Regulatory reform can enable new opportunities for new businesses to start and for existing businesses to operate more efficiently and find new and better ways to serve their customers. The government is working hard to ensure that Victorian regulators make sure rules and practices remain proportionate to harm, which means minimal impact on safe and responsible practices, close monitoring and tough enforcement where risks are high or misbehaviour has been proven to ensure regulators are helpful and easy for businesses and consumers to deal with and to ensure that regulators make quicker, higher quality decisions.

In last year's budget the government made a substantial commitment of \$74.8 million over four years to fund our regulatory reform agenda, so partly in my presentation today I want to give you a bit of an update on the regulatory reform agenda—where things are at and where we see things going. The funding provided in last year's budget was always aimed squarely at supporting the economic recovery, doing things that could have a quick impact and encouraging businesses to invest and grow jobs by making things easier for them. To that end, we have worked hard to get things happening quickly, funding projects and launching and completing reviews of regulation to support the recovery. The regulatory reform agenda was always going to be about engaging with business, local councils and across government to identify opportunities to do things better, and while there are other things that make up the regulatory reform agenda, I will just call out three that I can talk a little bit more to: the Regulatory Reform Incentive Fund, the fast-track review unit and our work on business licensing.

As I mentioned, one of the key programs in the regulatory reform agenda funded in last year's budget and whose work continues at a quick pace is the Regulatory Reform Incentive Fund. The Regulatory Reform Incentive Fund was funded to the tune of \$40 million in last year's budget. So far the Regulatory Reform Incentive Fund has been focused on identifying and funding regulatory reform projects across government. The

fund is already supporting 22 projects which will make it easier for businesses and not-for-profits to operate and create jobs, and more will be funded in the next financial year. Examples of some of the projects funded include expanding the network of preapproved routes for oversized vehicles, which will mean that up to 1704 permits can be approved instantly, meaning productivity gains for the construction and freight industries; simplifying food safety requirements for cafes and restaurants; and introducing online platforms that will save businesses time and money in doing things such as becoming a driving instructor or a rideshare provider or undertaking commercial activities involving wildlife.

As I mentioned, to enact our regulatory reform agenda we are reaching out across government to local councils and to business to understand better what is not working in the regulatory system and where are the opportunities for improvement. For example, we have recently held three round tables with local councils, businesses and industry bodies to hear directly about their regulatory concerns. One of the other key programs I would like to call out, set up specifically to respond to the concerns raised by business and other groups when we talked to them, is the fast-track review unit. The first review of modernising public notice requirements across government is underway. As readership levels of many newspapers are declining and it is expensive for businesses to place these notifications, the review is examining whether digital options may be cheaper for businesses and more accessible to the public.

Legislation was passed late last year to empower the Minister for Energy, Environment and Climate Change to set up new licence conditions on energy distribution businesses that could be used to regulate connection time frames. The ESC recently required energy distribution businesses to—I will stop there.

The CHAIR: Thank you, Minister. Mr Richardson.

Mr RICHARDSON: Thank you, Chair, and thank you, Assistant Treasurer, for joining us again for the regulatory reform part of your portfolio. I want to take you particularly to the reference on slide 4 of your presentation and specifically the Regulatory Reform Incentive Fund that you spoke a little bit about. I am wondering, for the committee's benefit, if you could tell us a bit more about this and how it works.

Mr PEARSON: Yes. Thank you, Mr Richardson, for your question. You might recall I talked about this when we last met late last year. I was always quite inspired by the 1991 premiers conference, which laid the foundation for a lot of the great—

Mr D O'BRIEN: You really are inspired by strange things sometimes.

Mr PEARSON: It was a great premiers conference, Mr O'Brien; I would encourage you to refresh your memory of it. I will call out and signal Premier Greiner at the time, who was very thoughtful and constructive with the Labor government—

Mr Riordan interjected.

The CHAIR: Mr Riordan!

Mr PEARSON: I think in that particular case what happened was that rather than the commonwealth saying to the states, 'You need to lift your game' and lecturing from on high, the commonwealth used funding levers to try and find a way to drive those efficiencies and reforms. I guess what we are trying to do here in this particular case is work with local government to replicate that model. You know, it is all good and well for me to say to local governments, 'Work on your tech, work on your culture, work on your process redesign', but at the end of the day if you are not going to back it up with funding support, you cannot really expect them to do that. I think that what we have tried to do here with this fund is to look at implementing those reforms and to really encourage people to dream big, to think big about how they can do things better. And there is money on the table, so if there is an opportunity for departments or local councils to implement reform, they know they can come to us and they can put forward an application and it will be assessed and determined, and we can provide funding.

In terms of that process, departments and councils must submit an application to DTF, and that is competitively assessed. I really want to try and encourage councils and departments to think about how they can do things better and improve things. Again, if we are providing that funding, if we are providing the funding support to make that a reality, then that should give them a level of confidence. Because it is contestable too—you want to

make sure that local governments and departments can bring forward their best ideas and start to think about how we can improve things and be better. Again, I think there is that opportunity to look at stripping out some of these regulatory costs and these compliance costs and to do things better.

The other point to make too is that I think we are on the cusp of—well, we are in the digital age, but in terms of digital transformation more broadly there is that opportunity to start to look at harnessing digital to improve our processes and to look at trying to utilise that for some of the more mundane, ordinary sorts of activities and have more of those higher end activities being driven by people. A case in point I think has been the City of Glen Eira with their concierge service where they looked at introducing some reforms through their planning department. They used data and digital for some of the more perfunctory statutory planning processes, and they reallocated resources to the higher end strategic planning. If you talk to most town planners, they would much rather spend time on strategic planning, thinking about the built form and the way in which services can interface with that built form and how it connects to the broader community, as opposed to some of the more mundane ‘Is this extension compliant with ResCode? What’s the distance between the proposed dwelling structure and the fence?’ and those sorts of the issues. So this is a really great opportunity for councils and departments to bring forward their ideas and to think about how we can do things better. Again, as I said, I think it is that holy trinity of culture, process redesign and tech. That is where you can start to drive some real benefits in terms of that digital transformation, and I think that is where you will start to increase your productivity.

So of the \$40 million fund, roughly \$15 million is to be spent this financial year and roughly \$25 million in the coming financial year, and that \$15 million was split into a kick-starter tranche of projects that we could get moving quickly. Again, we are really keen to make sure that we have the economy move quickly and respond quickly to provide the opportunities for business to expand further. And this was followed by a second tranche in which 17 projects were funded. So 22 projects in total have been approved and funded in this financial year, with a focus on funding ideas from Victorian government departments. The implementation of these projects is underway, and in next financial year there will be another tranche of projects approved and funded. This tranche will have a focus on funding ideas from local councils, so this is about trying to really start that process of engaging. It is a call to action I think for councils and departments to think about how they could do things better, how they could drive these sorts of efficiencies and reforms and what role I can play as the Minister for Regulatory Reform and the department play in supporting this work as well. I should point out too that the Parliamentary Secretary to the Premier, the Member for Oakleigh, Mr Dimopoulos, has also shown a real elan, a real passion, for these matters, and he has also done quite a bit of work supporting me in this exciting endeavour.

Mr RICHARDSON: And in the COVID context of having that generational opportunity to see change and efficiencies, it is really important. I am wondering, Assistant Treasurer, if you could take us to how those 17 projects were selected, for the committee’s benefit.

Mr PEARSON: Yes, sure. The first point is it is about engaging with departments and councils and letting them know that there is this opportunity here, signalling to them very clearly that we have got the funding and that this is what we are aiming to do with it and encouraging them to formally submit their proposals covering off what they would like to be funded. So we have done these regulatory reform round tables, done a few of these, and again Mr Dimopoulos has played a really important role in supporting me with that. So we have met with the Victorian Chamber of Commerce and Industry, the Australian Industry Group and the Australian Hotels Association. We have met with the Australian Retailers Association, Restaurant & Catering Victoria and the Council of Small Business Organisations Australia, as well as a range of local councils. These round tables, in addition to me, have been facilitated by the Minister for Small Business and the Minister for Local Government, as well as the Parliamentary Secretary to the Premier. It is about trying to get those regulatory reform ideas from business and councils directly, and the ideas can provide the basis of a project to be funded. It is then put forward to the regulatory reform team in DTF for assessment, and it is about making sure that what is being proposed is in alignment with the objectives we are trying to achieve, as well as considering the benefits and costs of the proposed reforms. So the DTF regulatory reform team works extensively to consult across DTF, departments and Service Victoria to ensure there is that alignment. Then DTF will brief me as the Minister for Regulatory Reform on the projects that have been proposed, including those that it recommends on the basis of its assessment, and then, finally, I make a presentation on the proposed projects to the relevant cabinet committee for its endorsement. So we really want to cast the net far and wide. It is a race. We want to

try and make sure that people put their best foot forward and come up with, you know, a really compelling proposition that is appropriately and formally assessed by DTF before briefing me.

But, look, it is a really exciting initiative, and I think that it enables us to keep trying to push things forward and try to keep driving those sorts of efficiencies and reforms. We have got to get the balance right between an appropriate level of regulation to ensure or guard against market failure or provide safety and security for the community, but we have also got to try and find a way in which that does not overly burden business—or councils, for that matter—in relation to the discharge of their obligations and their duties.

Mr RICHARDSON: In the short time I have got left—and we might need to take some of this on notice—you talked a little bit about the projects on slide 4. Are you able to provide any more detail on some of those projects?

Mr PEARSON: Yes, sure. So if we look at the heavy vehicle permit, over the last five years the Department of Transport has seen a 400 per cent increase in heavy vehicle permit applications, and that is requiring what is called a structural assessment. So the need for more larger vehicles to transport goods and construction material around Victoria has been fuelled by our Big Build. So therefore there is a need to try and provide a level of innovation around that, but I am happy to provide more information to the committee.

The CHAIR: Thank you, Minister. Deputy Chair.

Mr RIORDAN: Thanks, Chair. Thanks, Minister. In the 2020–21 budget last November \$74.8 million was allocated for a regulatory reform package, which, as I understand, is \$27.5 million for 2020–21 and \$38.6 million for 2021–22. There is no new funding for the portfolio announced in this year's budget. Will the \$27.5 million allocated in 2020–21 be fully acquitted before 30 June this year?

Mr PEARSON: So around \$15 million is to be spent this financial year and roughly \$25 million will be spent in the coming financial year. So that is the funding profile at this stage. And—

Mr RIORDAN: But then nothing beyond that?

Mr PEARSON: Well, I think, Deputy Chair, each budget is a moment-in-time exercise where you identify what the needs are. I mean, the project is—

Mr RIORDAN: You have been talking about this regulatory reform as a big game changer for efficiency and so on, but you are not prepared to sort of stake it out into the future.

Mr PEARSON: No, I would not characterise it in those terms. You know, I think this has got great potential, and I think it has got real legs. And we have got funding for those two years, but I think that my colleagues would expect that I need to stand and deliver. I mean, I need to be able to demonstrate the fact that there are benefits associated with this package and that it is worthy and meritorious for future funding support. Now, I will be working really hard to ensure that is the case, and I will need to be convincing my colleagues, but I think that this is about saying, 'We've got funding for those two years. There's a great opportunity to really drive these efficiencies and reforms', and then it will be a case of a future budget making a determination as to whether we think this provides value for money. But I certainly think it does.

Mr RIORDAN: Okay. So, Mr Martine, you might be able to get to the nub of this one. What is the total budget for the regulatory reform portfolio in 2021–22 after cuts and rollovers?

Mr MARTINE: Thanks, Deputy Chair. I will probably have to take that on notice, because the work is embedded in Mr Barrett's division. So the \$74.8 million you referred to, \$40 million of that is the incentive fund that the minister spoke about, and then some additional funding for the fast-tracking, you know.

Mr RIORDAN: All right. If we could take that on notice, that would be great.

Mr MARTINE: We are happy to take that on notice.

Mr RIORDAN: Great. All right. Minister, when you talk about the Regulation Reform Incentive Fund helping supercharge local government and other agencies, there are about 76 local governments.

Mr PEARSON: Seventy-eight, I think.

Mr RIORDAN: Seventy-eight. How many other agencies are eligible for the fund? What is the total?

Mr PEARSON: Well, I think it is 78 councils that would be eligible and I think we have got now nine departments, and I am just trying to recall whether we are contacting statutory authorities as well, but it would at least be the 78 councils plus the nine departments. I think that logically if, for example, the EPA said, 'Look, we've got a really good idea to reform our processes—

Mr RIORDAN: So it is going to be well over a hundred agencies that you have—

Mr PEARSON: I think that would be right. Yes, I think that would be right, Mr Riordan.

Mr RIORDAN: So based on that then—correct me if I am wrong—when you were talking to Mr Richardson earlier you said you had given out funding to 22 of those out of a hundred, and that is half the money so you have got that many again. So you are sort of talking about 40 agencies out of a hundred-odd will benefit?

Mr PEARSON: Potentially. It is a contestable process.

Mr RIORDAN: Do you think giving funding to less than half the eligible agencies is going to get the reform that you want?

Mr PEARSON: Well, I think on these questions this is the start. Look, the other point I would make too is that I do not think—and Mr Barrett will correct me if I am wrong here—if a particular department or agency is successful for one project that rules them out from applying again. I think that what we want to try and do is to encourage these entities to apply again. Deputy Chair, I would imagine this would be a bit like the standard bell curve. I think you would have positive outliers, or you would have outliers at either end of the bell curve and then you would have the rump in the middle. I think that by signalling this level of support and investment, and once people start to see the funding flow, then that will change I would say consumer behaviour, but in this instance I think that would change behaviour in these departments and agencies because they can start to see what is available.

Mr RIORDAN: So based on that then, have you already given some agencies two bites at the cherry of the 22? Does that already include some that have had two goes at it?

Mr PEARSON: Yes. I am just referring to Mr Barrett. Yes.

Mr RIORDAN: Okay. So for a reform package then that is aimed to revolutionise things, we are looking at less than half the eligible agencies probably getting access to this funding, are we?

Mr PEARSON: Well, I think this is the start of the funding, Deputy Chair. I think that, for me, it will be continuing to encourage and to see what comes across, and then I think also too it is about the assessment. You have got to then look at: the funding is provided, but does it actually acquit and deliver the things that we hope it is doing and does do? But I will continue to work with my colleagues and proselytise the case. We are in the business of good public policy. I mean, I think all of us are. We have got different views, but I think all of us want to see—I used to have these conversations with your predecessor—an efficient public service and we want to see efficient delivery of services.

Mr RIORDAN: Thanks. Just in the last minute we have got, Mr Martine, assuming the minister will not be able to give us the list—we do not expect him to know—could you supply us with the who the 22 recipients are?

Mr MARTINE: Yes, I am happy to take that—

Mr RIORDAN: Take that on notice? Yes, that would be great. Could we also have on notice the assessment criteria that is being used to understand who gets—

Mr MARTINE: Happy to take that on notice. I guess the other point perhaps, just to quickly add, some of the amounts that are paid are actually quite small. Some of them are actually in the hundreds of thousands of dollars to then deliver savings in the tens of millions.

Mr RIORDAN: Right.

Mr MARTINE: We will provide that on notice.

Mr RIORDAN: Okay. Thanks.

The CHAIR: Thank you, Mr Riordan. Mr Limbrick.

Mr LIMBRICK: Thank you, Chair. And thank you again, Minister and team. I have read a number of papers by economists and things like this about the overall regulatory burden of state and federal governments in Australia, and it is frankly pretty shocking reading. I was wondering whether the government measures regulatory burden somehow and sees that as like a target—that they can lower regulatory burden. Are there some sorts of estimates that are done?

Mr PEARSON: I do not believe there are. Mr Barrett or the Secretary may wish to supplement my answer. I think the challenge we have got is: how do you define regulatory burden? What does that entail? What does that involve? How do you quantify it? What does it mean? For example, Mr Limbrick, if you are running a cafe and I am running a petrochemical plant, the regulatory burden on you would be relatively low. The regulatory burden on me would be relatively high, but there is a reason for that because of the businesses that we are in. It is difficult to quantify. The way to try to tackle this is to consult with regulators but also to consult with business and start to understand some of those challenges. I remember when John Elliott and Bill Kelty were involved in the Committee for Melbourne in 1990, 1991, they embarked upon—

Mr D O'BRIEN: Did they go to the premiers conference?

Mr PEARSON: They might have been. But you will appreciate this, Mr O'Brien: they abolished the tomato marketing board because tomato growers felt that it was being an onerous burden. And some of the work that the Committee for Melbourne did played a really important role in sort of starting to revive the economy in the early 1990s. But I think from my perspective it is about trying to engage closely with business and with regulators and trying to understand, you know, what are the things that are non-negotiable—what are the things that you would never drop regulation of; what are the things that you could turn around and say there is no need for that to be regulated now; and then the third tranche would be what are the things that we recognise need to be regulated but through that holy trinity of culture, process design and technology can be improved.

Mr LIMBRICK: Thank you.

Mr PEARSON: I am happy to ask either the Secretary or Mr Barrett to supplement my answer in relation to your substantive question.

Mr LIMBRICK: No, I think you have covered it, and thank you for that. One of the things that you mentioned in the presentation, and I think this is key to what you are talking about, about whether something is non-negotiable or not, is the issue of proportionality—whether the regulation is proportionate to the risk that you are trying to mitigate. How do you identify that? Because that would clearly be, to my mind, if a regulation is not proportionate, then that clearly should be a target for regulatory reform. How do you go about identifying the proportionality of the regulations that currently exist?

Mr PEARSON: What I have tried to do is to reach out to my ministerial colleagues, departments and local government to say, 'Look, here's a fund available. Can we start having a conversation?'. I regard myself more as an enabler, to enable that outcome, as opposed to coming in and saying to particular departments or agencies, 'I think that's onerous or that's burdensome' or, 'I don't think you should do it that way'. I am very mindful that those departments and agencies have got a different lived experience to me and they will look at that regulation and live by and enforce that regulation on a daily basis. I am mindful about not coming in over the top and from on high decreeing. But I think that it is about trying to work with and, you know, present that opportunity. And then I think that by going about talking to businesses as well—business in my experience are not backward in coming forward if they want to highlight a deficiency in a regulation. When you talk to most

regulated businesses they will have a hit list of the most unfair, burdensome, onerous regulation from their perspective, as opposed to the stuff that is not on their radar. So I think that combination of providing the funding and creating the enabling environment for that to occur coupled with having really good dialogue and engagement through peak bodies, through councils, through small businesses presents an opportunity to identify, 'Well, what do we think is going on here, and what do we think we can do?'

Mr LIMBRICK: Thank you.

The CHAIR: Thank you, Mr Limbrick. That concludes the questions for your portfolio of regulatory reform. The committee will follow up on any questions taken on notice in writing, and responses will be required within 10 working days of the committee's request. The committee will now take a short break before resuming for consideration of the government services portfolio at 10.50 am.

Witnesses withdrew.