

# **Regulatory Reform Policy Paper**

Increasing productivity by building on  
Victoria's Regulatory Reform Agenda

June 2023

# **Contents**

Introduction	1
Summary of recommendations	2
Benefit to business and the Victorian Economy	3
Victoria's Regulatory Reform Agenda	4
Further work is needed	5
Summary of the broad implications of regulatory burden in Victoria	6
Boosting productivity through a tiered approach to approvals management and escalation	7
1. Digital infrastructure	8
2. Escalation and ongoing improvement	9
3. Large projects	10
Importance and Conclusion	11
Appendix 1	12

# Introduction



## **The Victorian Chamber of Commerce and Industry (VCCI) continues to advocate on behalf of VCCI members and the business community on the ongoing need for regulatory reform.**

An efficient and fit-for-purpose regulatory environment is essential to promote and encourage business success, confidence, and investment. It reduces unnecessary time and cost spent by businesses, particularly small business, and contributes to better innovation and productivity.

As businesses and households battle rising taxes and the increasing costs of living and doing business, maximising state productivity has never been more important. Victoria needs to sharpen its focus on how to reduce regulatory costs and time, which will increase opportunities for growth. Regulatory reform – making the way we do things easier and faster – is one way we can try to reduce costs and will only happen with targeted, sustained effort.

The successful return on investment of Victoria's recent regulatory reform agenda provides a good foundation to build upon to help Victorian businesses remain competitive, productive, and efficient. Constantly investing in growing productivity is crucial, as noted by the Productivity Commission stating that without a constant pressure to improve productivity, productivity will drag.<sup>1</sup>

The future of Victorian regulatory reform should focus on better communication and engagement with the business community, have clear escalation pathways to facilitate faster outcomes, and improve regulatory culture. Adopting such reform will support overall business activity and increase economic activity.

The recent 2023-24 Victorian State Budget saw a commitment of \$45.2 million for ongoing regulatory reform. This Paper provides the Victorian Chamber's view on what that reform should look like and identifies solutions to issues raised in last year's *Cost of Doing Business Report*.

<sup>1</sup> Productivity Commission, *Shifting the Dial: 5 year productivity review*, 2015

## Summary of recommendations

<b>01</b>	Commit to the next phase of Victorian regulatory reform using the pyramid approach, described below, to increase the efficiency, productivity and competitiveness of Victoria.
<b>02</b>	Create a forward plan over the next four years to fast track the use of secure digital platforms and processes to decrease time spent on applications and renewals.
<b>03</b>	Task Better Regulation Victoria to act as an approvals escalation point and improve regulatory administration and culture change.
<b>04</b>	Develop a mechanism to scope and thoroughly assess large, complex projects to ensure efficient and comprehensive decision making, which will decrease the regulatory cost for business.



# Benefit to business and the Victorian Economy

**The benefits of recent regulatory reforms are clear. It is estimated that the \$75 million investment made in the 2020 Victorian Budget, achieved \$200 million in annual ongoing benefits through better and faster approvals and simplified processes.<sup>2</sup>**

Further, more than 50 reforms have been funded and continue to be delivered, achieving considerable tangible benefits to industries across the state. These include an estimated time saving of 287,000 days each year due to more than 290,000 approvals made faster and easier.<sup>3</sup>

These are in addition to other, spillover benefits resulting from more time spent on collaboration and relationship building as well as reduced stress on small business owners and their families.

Victorian Chamber members strongly support continuing regulatory reform measures. In a 2022 Chamber survey, 70 per cent said they support a model of regulatory reform, where a 'one-door' approach is adopted so regulators and government bodies know the pathway for Victorian regulation and can invest and act accordingly. In a separate survey for the cost of doing business report, only seven per cent of respondents thought the government was doing a good job of reducing the cost of doing business.<sup>4</sup>

It is clear regulatory reform provides benefits, with proven results in saving costs, reducing the burden on businesses and individuals, and contributing to an ecosystem that grows business and state productivity. In turn, this helps drive productivity growth and improve economic outcomes for Victoria.

## Recommendation:

01

**Commit to the next phase of Victorian regulatory reform using the pyramid approach, described below, to increase the efficiency, productivity and competitiveness of Victoria.**

<sup>2</sup> Victorian Department of Treasury and Finance, 2023.

<sup>3</sup> Victorian Premier's Office, 2022

<sup>4</sup> Victorian Chamber Cost and Ease of Doing Business Report, 2022.

# Victoria's Regulatory Reform Agenda



The Victorian Government's regulatory reform agenda was kickstarted in 2015, with a 'whole-of-government' Red Tape Reduction Target. This target, which was met in 2018, was a commitment to reduce Victoria's regulatory burden by 25 per cent. Since 2015, government investment has continued, including:

- A review of the Earth Resources Regulator, which improved licensing and approval timeframes within set KPIs from 68 per cent, to 98 per cent in 2019.
- Energy Safe Victoria introduced digital certificates of electrical safety saving electrical contractors and consumers \$7.3 million a year.
- The Business Acceleration Fund, to cut red-tape and streamline regulations, saving time for businesses and the Victorians who run them.<sup>5</sup>
- Fifty-seven Regulation Reform Incentive Fund initiatives underway across Victoria to reduce red tape, simplify processes and speed up approvals to deliver up to \$200 million in ongoing annual benefits and potential time savings of more than 280,000 days each year.<sup>6</sup>

This is a small sample of a broad range of work that shows the pay-off from investment in regulatory reform. Investment results in significant benefits to Victorian businesses, agencies, and the taxpayer through saved time and faster outcomes. For example, the Better Approvals for Business program announced in November 2020 builds on previous Better Approvals Projects, and saves small businesses between \$74 to 131 million each year, according to KPMG.<sup>7</sup>

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<sup>5</sup> Department of Treasury and Finance, 2021.

<sup>6</sup> Victorian 2022-23 Budget Overview, 2022.

<sup>7</sup> Business Victoria, Making it Easier to Business in Victoria, nd.



## Further work is needed



### **While investment in regulatory reform has yielded much success, there is more governments can do at all levels to help keep Victoria productive.**

Even prior to the pandemic, Victorian businesses were experiencing slowing productivity and higher costs relative to other states and territories, with the increase in intangible costs of doing business. This was made clear in responses from Victorian business owners stating that they are spending more time on unproductive activities. Almost 40 per cent of Victorian businesses say that time is a bigger cost to doing business than money spent.<sup>8</sup>

The way regulations are implemented and administered is often as important to business as the obligations of the regulations themselves. It is through engagement with regulators in their role of administering and enforcing regulation that businesses primarily ‘experience’ regulation and much of the associated compliance burden.

Even well-designed regulations can result in high costs and a negative experience for business if they are poorly communicated and implemented. A common business complaint is the time spent providing duplicate and unnecessary information to multiple regulators or regulatory staff and having to navigate poorly designed and communicated approval pathways which are often not ‘fit-for-purpose’ or reflect contemporary practice.

Regulatory reform does not mean decreasing the quality of regulatory standards. Regulatory reform focuses on how complex, redundant or duplicate regulation places an unnecessary burden on businesses, which can reduce business flexibility to respond to challenges and opportunities, as the Productivity Commission notes.<sup>9</sup>

Improving the administration of regulation is critical and can generate cost savings to regulators and to government without legislative change. Cost savings can be redirected to support other activities and reforms to achieve outcomes for business and the community – with the overall goal of increasing productivity.

<sup>8</sup> Victorian Chamber Cost and Ease of Doing Business Report, 2022.

<sup>9</sup> Australian Productivity Commission, Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services (2009).

## A summary of the broad implications of regulatory burden in Victoria include:

Implications of regulatory burden	
<b>Reputation of Victoria as a leading place to work, live, and own and operate a business</b>	The higher costs of doing business in Victoria due to several factors including time and money spent on regulation may negatively impact Victoria's reputation as a place to work or do business.
<b>Skills shortages and productivity in the economy</b>	Inefficient and time-consuming administration of regulation may mean some people are in roles that can be streamlined and made more efficient. These skilled workers can be utilised elsewhere in a labour market that badly needs workers. Deploying skills into more valuable and productive work would lift the productivity of Victoria as a whole.
<b>Best practice regulatory system</b>	Victoria, as a hub of business and goods for the Commonwealth, should strive to be world class and best practice in its regulatory system. A best practice system enables also enables regulators to better target harms and reduce risks to public health and safety. To be on par with other states and countries should not be the accepted standard. Let's strive to be the best.
<b>Reduce costs for business</b>	Not reducing the costs for business, both tangible and intangible, means investment into business growth is stymied. This has negative effects on skill development, innovation, business growth and job growth.
<b>Speed of processing and backlogs</b>	The amount of backlog and speed of processing is a burden on the public service and drains resource from agencies and individuals.
<b>Meet the demands of business</b>	Thriving businesses are the heart of communities. The regulation system should be fit for purpose to meet the needs of business.

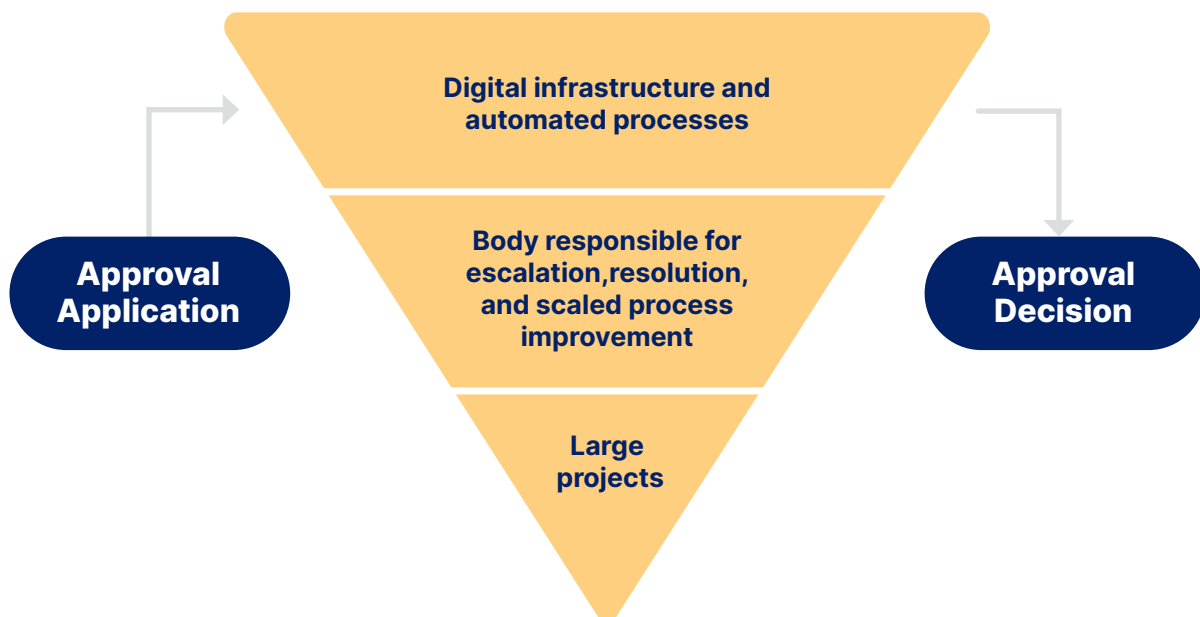


# Boosting productivity through a tiered approach to approvals management and escalation

The Victorian Chamber recommends a three-tiered approach for the next phase of regulatory reform in Victoria, based on our ongoing work and consultation with the business community (see Appendix 1).

The tiers are:

- (i) Service Victoria providing an electronic interface for regulatory approval;
- (ii) A body that manages escalation and oversees consistent improvement; and
- (iii) A high-level regulatory function based on the Quarry Approvals Coordination (QAC), as shown below:



# Boosting productivity

## 1. Digital infrastructure

Standard approvals should be facilitated digitally via a secure, streamlined digital platform. In the first instance this system would notify businesses of renewals and changes to licences, permits, approvals and other associated regulatory change. In the long term, an efficient and modern platform is required to allow regulatory customers to file approvals and track progress. These standard approvals represent the highest volume of regulatory traffic. Approvals would go through to the relevant regulator/s, who remain in charge of assessing, complying, and managing the approval to completion.

Using Service Victoria, or another digital platform, as the primary interface between regulators and customers will help achieve the Victorian Government’s regulatory goal that businesses ‘tell us once’ ensuring there is no need to repeat information to different regulators, regulatory staff or points of contact.

In recent departmental changes in Victoria, Service Victoria is to be part of the Department of Government Services.<sup>10</sup> It will be involved in licensing and back and front of house regulation. This allows Service Victoria to be utilised to anchor the increased efficiency and use of Victorian regulatory digital infrastructure. In the Victorian State Budget for 2023-24, \$90 million over the next two years has been committed to continue digitisation of government service delivery. Modernising business approvals needs to be prioritised in this process.

Once an approval gets ‘stuck’, experiences an issue or confusion emerges between regulators on the same application, the approval can be escalated through the proposed escalation process; further outlined below.

### The role of local councils

Local council’s role within the regulatory digital infrastructure system needs to be considered in order to secure the greatest efficiencies. The following section roughly outlines at what point and how local governments are included in state-wide digital infrastructure, and whether this can be done through clusters. To ensure local councils are brought into improved regulatory digital infrastructure, pilots should be undertaken to phase councils in, minimising disruption and ensuring a successful transition.

The digital infrastructure platform would require significant investment, and would require a phased approach which could look like:

2023	Scoping
2024	Pilot phase
2025	‘Soft’ Roll out – optional
2026	Full roll out

### Recommendation:

02

Create a forward plan across the next four years for the increased use of efficient, secure, digital platforms and processes to decrease time spent on applications and renewals.

<sup>10</sup> Innovation Aus, 2022.

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# Boosting productivity

## 2. Escalation and ongoing improvement



Previously referred to as a 'business concierge' in Victorian Chamber advocacy, included in the 2022 Cost of Doing Business Report, a body is required to act as the escalation point for business regulation and assist in shepherding an application through the process.

This body's mandate would include fielding queries from businesses who are unclear about which agency to contact, cannot get in contact with someone who can advise on their approvals progress, how to go about their approval if they have received conflicting information from different regulators, overseeing approvals that have requirements across different agencies, and acting as a point of contact for smaller regulators who may not be mature enough to field complex inquiries.

The mechanism would also be required to identify common issues that come from businesses and address these issues to help improve the regulatory ecosystem. The escalation function therefore plays a key role in educating Victorian regulators, driving positive culture change, and sharing knowledge and best practice.

This is particularly important for regulators who may not be adequately resourced to undertake their own reviews of systems and processes and implement changes.

The most logical place for this function to sit is within Better Regulation Victoria (BRV), whose mandate is clearly centred on improving Victoria's regulation. BRV is legislatively required to report on Victorian compliance every 10 years, and acting as the administrator and owner of business escalations would give BRV real-time feedback of regulatory challenges, as opposed to intermittent assessment and reporting. BRV would require investment to resource this new function. By placing such a function within BRV, BRV would be able to quickly identify regulation that is not fit-for-purpose and recommend changes that Government could make.

### Recommendation:

03

**Task Better Regulation Victoria to act as an approvals escalation point and improve regulatory administration and culture change.**



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## Boosting productivity



### 3. Large projects

For large, complex projects of significant state importance, a further level of regulatory coordination is required. This next level should be modelled on the work done by the Quarry Approvals Coordinator (QAC) function. The QAC's success is proven, shown by the Victorian State Budget 2023-24 expanding the QAC's remit through the transition to a Earth Resources Approvals Coordinator.

This new function would have established and transparent criteria and weighting for projects of significance, such as those involved in the Big Build. Weighting of the economic benefits, considerations such as location, impact on residents, and project prioritisation would be involved. This mechanism is needed for highly complex projects that cross

several regulators and have significant possible impacts. It would provide a streamlined process and communication channel to improve efficiency and speed of outcomes. It would have a dedicated interdepartmental committee made up of deputy secretaries to make sure that applications are not unnecessarily held up.

#### Recommendation:

**04**

Develop a mechanism to scope and thoroughly assess large, complex projects to ensure comprehensive decision making.

# Importance and Conclusion



## The importance of Better Regulation Victorian (BRV)

Better Regulation Victoria is key in driving forward regulatory change. Further resourcing and a clear mandate for BRV will allow it to:

- Act as a trusted partner with regulators to work with them to drive change
- Coordinate culture change among regulators
- Manage business approval escalation
- Successfully report on the regulatory environment and progress made, including in ministerial briefings
- Lead training and development for regulators, including through the administration of a regulatory qualification

## Concluding Comments

The Victorian Chamber wants to see Victoria's regulatory environment become the most efficient and effective in Australia and provide the best experience for businesses – resulting in increased investment and business activity. This will also help drive productivity, particularly with rising costs of living and doing business. To do this we need continued Government investment and to build on the momentum from recent reforms which reduced unnecessary burden on business while protecting high standards in the targeted areas.

# Appendix 1

**The Victorian Chamber has been highlighting the need for ongoing regulatory reform for several years, as shown by the below publications and the recommendations within them:**

**Publication:**

**Cost and Ease of Doing Business in Victoria**

Published as an outcome of the work of the “Cost and Ease of Doing Business” Taskforce, which was established to create an index based on comprehensive measures, so that Victorians can better understand the costs of doing business in Victoria. The Chamber’s recommendations include:

- Develop a business concierge to streamline the experience for business at the interface of government and industry.
- Conduct a ‘root and branch’ review of the Victorian tax system with the aim of optimising state revenue collection to deal with the costs facing Victorian businesses, while also making Victoria the lowest taxing jurisdiction for business in Australia.
- Fast-track government approvals, grants and programs to get business back in business, and to address the backlog of projects delayed due to COVID-19.
- Continue to enhance and evolve the culture of the public sector and of local government in engaging with business, so that it has a business enabling and proactive mindset.
- Create a permanent forum or working group for a diverse set of industry stakeholders to provide early input into policy design and delivery.
- Expand the facilitation role of Invest Victoria to have a greater focus on boosting the success of small business and regional industry.

- Build on the partnership between VCCI and the Victorian Skills Authority to help address the rising skill mismatch challenge in the state, particularly in vocational education and in regional areas.
- Seek out opportunities for government to partner with the private sector in delivering key services where appropriate.

**Publication:**

**Victorian Budget Submission 2023-2024**

Victorian Chamber recommendation for the Victorian 2023-2024 Budget, relating to regulatory reform included:

- Fund Better Regulation Victoria and Services Victoria to lead cultural change, develop a ‘one door’ approach for State and Local Government regulation, and provide an escalation point for Victoria’s regulatory system.

**Publication:**

**Victorian State Election Submission 2022**

Victorian Chamber recommendations for the 2022 State Election, relating to regulatory reform included:

- Fund Better Regulation Victoria and Services Victoria to lead cultural change, develop a ‘one door’ approach for State and Local Government regulations, and be the point of escalation for Victoria’s regulatory system.

**Publication:**

**Victorian Budget Submission 2022-2023**

Victorian Chamber recommendations for the Victorian 2022-2023 Budget, relating to regulatory reform included:

- Provide funding to establish a regulatory concierge model.
- Create an incentive fund for local councils to improve their administration of business regulations.



**Publication:  
Victorian Budget Submission 2021-2022<sup>11</sup>**

Victorian Chamber recommendations for the Victorian 2021-2022 Budget, relating to regulatory reform included:

- Increase funding by \$60 million over four years for Better Regulation Victoria to extend the Better Approvals Project and develop a framework for regulators that will decrease the backlog of regulation, with a particular focus on Consumer Affairs Victoria, Local Government and WorkSafe.
- Fund an education campaign for both regulators and applicants that will decrease the number of mistakes and issues that could readily be addressed before an application is lodged.
- Undertake a comprehensive independent review of the number, size, purpose, and effectiveness of Victorian regulators that commonly interface with business, with a focus on culture and capability.
- Provide further funding for DELWP to be more efficient and timely in making planning decisions.
- Streamline the Environmental Effects Statement to be more efficient and provide greater certainty to applicants as to the likelihood of success.
- Further funding to councils that improve their regulatory processes.
- Create a portfolio of Minister for Customer Service, as they have in NSW, and provide resources so that the culture and customer service orientation of the public service can be adjusted over the next four years.

**Publication:  
Victoria Summit 2021**

- Action 2: Establish a government concierge to provide a central point for organisations and individuals to interact with the Victorian Government
- Action 3: Redesign Victoria's regulatory environment to reduce the cost and burden of compliance for consumers and businesses
- Action 4: Expand the Better Approvals for Business program to simplify business approvals and operations
- Action 5: Collaborate with other governments to reduce regulatory complexity and improve the ease of doing business in Victoria's high-growth or enabling sectors
- Action 9: Empower local governments to lead cluster development to revitalise local economies
- Action 127: Improve planning regulations to facilitate development with associated amenity within Metropolitan and Regional Victoria

<sup>11</sup> Victorian Chamber of Commerce 2021-2022 State Budget Submission, 2021.



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