

Path to Prosperity

Slashing Red Tape to Unlock a Brighter Future



Australian
Chamber of Commerce
and Industry

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About HoustonKemp

Founded in 2014, HoustonKemp is dedicated to the application of economics to bring clarity to complex problems arising in competition, finance, policy and regulation. Our experts have a proven track record in assisting high stakes decision-making through the use of evidence-based economic analysis that is focused, accessible and capable of withstanding the most intense scrutiny.

Our clients include corporations, governments, trade associations and law firms engaged in commercial and criminal litigation. We are committed to ensuring that our analysis is focused on the problem at hand, and capable of being translated into conclusions that are clear and practicable.



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Executive Summary

The increasing complexity of Australia's regulatory framework has become a handbrake on productivity; Streamlining Australia's regulatory landscape represents one of the most significant opportunities to unlock productivity gains and securing our future prosperity.

The regulatory burden imposed by business-related compliance obligations has increased by at least \$5.5 billion over the last five financial years and has found its way into almost every corner of our economy.

To turn our fortunes around, the Commonwealth government must place regulatory reform at the forefront of its agenda.

Recommendations

A successful reform effort is one that:

- > shrinks the existing stock of regulation;
- > improves the processes through which new regulations are passed; and
- > simplifies compliance mechanisms to limit the collateral costs of regulation.

To achieve these goals, we recommend:

- > At Prime Ministerial level, recognise that red tape and over-regulation is a serious economic problem.
- > The Australian government **issue a growth-first directive to all government departments and regulators**, by encouraging legislators to consider the wider ramifications of their policies and evaluate all proposals through an economy-wide lens.
- > Australia **target a 25 per cent reduction in the compliance burden by 2030**. Evidence across the globe shows that such a target is ambitious, attainable and, above all, effective.
- > **A Cabinet-level Minister for Red Tape Reduction** be created to:
 - spearhead a government-wide push to achieve the 25 per cent compliance cost reduction target;
 - methodically identify and actively address red tape problems;
 - adopting evidence-based simplification models from overseas governments.
- > Better delineating of the responsibilities of Commonwealth and state governments to reduce regulatory burden and clarify responsibilities.
- > Understand and reduce the impact of red tape on small business by aligning definitions of small business across all government agencies and forms of regulation.
- > Progress the opportunities to **digitalise compliance and monitoring**. In addition, policymakers can harness the power of large language models to identify overlaps and inconsistencies in the existing stock of regulation. Human discretion remains crucial to successful regulatory design, and automation should complement the expertise of decision makers.





- > **Reduce barriers to trade through digitisation** by adopting the UNCITRAL Model Law on Electronic Transferable Records to provide legal certainty to traders. The government should enhance data sharing arrangements between government agencies.
- > **Streamlining the environmental approval process** through further amendments to the Environment Protection Reform Bill that remove uncertainty and risk for proponents of major projects.
- > Simplify the **National Construction Code** for building approvals by adopting a “one house, one approval” model to allow the construction of a single home on appropriately zoned land to proceed via a single, integrated pathway.

The Failures of Poorly Designed Regulation

Economies flourish when firms compete, adapt and innovate in response to customer demand, just as they suffer when firms operate below their productive capacity. When regulation curtails businesses, we all pay the price. This is felt most acutely in the form of muted productivity growth.

There are two key mechanisms through which red tape stifles productivity.

First, red tape creates capacity constraints. This is exemplified by the sluggish approval process for new homes, with the average completion time for houses slowed by over 60 per cent between 2013-2014 and 2023-2024.

Second, red tape constrains our international competitiveness. Private sector investment is languishing at its lowest level in 33 years, such that Australia has become the third-worst performing OECD nation in terms of the ‘investment gap’ (the difference between actual and expected levels of investment) and has fallen to the 18th most competitive economy in the world, having occupied a top five spot as recently as 2010.



Rethinking Australia's Approach to Regulation

Every regulation should be judged on the costs and benefits it generates across the economy. The primary policy goal matters, but it is only one piece of the puzzle. Australia's approach to regulatory design suffers from three major shortcomings that are antithetical to effective regulation and, in turn, national prosperity.

The first is a tendency to operate with a 'tunnel vision'. There is a widespread concern that regulators, policymakers and ministers 'allow their primary regulatory or policy objective to outweigh all other considerations' (Productivity Commission, Creating a more dynamic and resilient economy – interim report, 2025). Businesses often face a multiplicity of regulatory requirements that individually strive to advance important goals but collectively generate a hefty administrative burden that costs businesses hundreds of thousands of dollars every year.

Second, an inclination to pass fresh regulations in the face of new challenges has elevated governments' involvement in business operations over time. This is epitomised by the proposed digital competition regime, which would allow the minister to impose upfront (or ex ante) obligations on technology companies in the absence of proven anticompetitive behaviour. There is limited evidence that existing regulations are inadequate, and the prospect of a dedicated digital competition regime reflects a broader trend of regulatory remits expanding over time.

Third, regulation often prioritises visibility over results. This occurred in 2024 regarding the topic of divestiture powers for supermarkets. A number of parties supported a proposal to facilitate a break-up of the supermarkets despite compelling evidence indicating that the policy would hurt firms and consumers alike. The proposal appeared to be addressing an issue but neglected the broader economic impact.

Lessons from the International Experience

Several governments around the world have sought to bolster productivity and economic growth through regulatory reform. We present a number of examples in recent years at different levels of government, including the UK's new policy direction for deregulation, business consultation for regulatory simplification in Denmark and Sweden, the major simplification agenda in the European Union, as well as exploratory work on alignment of cyber security rules by the OECD.



The Failures of Poorly Designed Regulation

Businesses are Buckling Under the Weight of Regulation

Australia benefits from stable institutions and an enviable endowment of natural resources. We have weathered global crises better than most countries. Yet, despite these advantages, we have not done enough to unlock our full economic potential.

Nowhere is this more evident than in the increasingly stringent regulations encumbering Australian businesses. The regulatory burden imposed by business-related compliance obligations has increased by at least \$5.5 billion over the last five financial years,¹ with increased red tape having found its way into almost every corner of our economy.² It is little surprise that the need for regulatory reform emerged as a point of consensus at August's Economic Reform Roundtable.³

The progress of our peers underscores the need for change. Australia's ranking in the World Bank's 'ease of doing business' indicator plunged from 5th in 2005 to 14th in 2020.⁴ The nation is ranked 24th in the OECD's 'product market regulation' indicator (and 32nd within the 'administrative and regulatory burden' category), having occupied 3rd place as recently as 2003.⁵ When it comes to the restrictiveness of foreign direct investment rules, Australia places last in the OECD.⁶

World Bank Ease of doing business	OECD Product market regulation	OECD FDI restrictiveness
5 th → 14 th In 15 Years	3 rd → 24 th In 20 Years	25 th → 38 th In 12 Years
Is the regulatory environment conducive to starting and operating a local business?	Are regulatory settings pro-competitive?	How restrictive are foreign equity limits, screening and approvals and rules placed on foreign investors?

The reality on the ground is no less serious. In New South Wales, the proportion of businesses that consider regulatory obligations to be 'demanding' soared from 50 per cent to 70 per cent in just 19 months.⁷ For businesses in Queensland, the median cost of complying with regulation doubled over the two years to 2023.⁸

Proponents of major projects face an enormous challenge to navigate complex and onerous regulatory processes to bring a project to fruition. The regulatory hurdles not only make starting up and doing business slow and cumbersome, but they can also threaten the success of Australia's strategic priorities, e.g. investing in cheaper, cleaner energy. As an example, a hypothetical grid-scale solar project requires up to 40 separate licenses at the Commonwealth, State/Territory, and local levels, including: EPBC approval (Department of Climate Change, Energy, the Environment and Water), Renewable Energy Power Station Accreditation (Clean Energy Regulator), AEMO Registration and Grid Connection Compliance, State Significant Development Consent (State), Biodiversity Development Assessment Report (State), Aboriginal Heritage Impact Permit (State), Water Access Licence (State), Road Access / Traffic Permits (State and/or Local Council), Construction Certificate (Local Council), and Connection Agreement and Permission to Connect (relevant agency). This presents an overwhelming regulatory burden on new project proponents, particularly for an overseas investor unfamiliar with the Australian regulatory landscape.



Due to new licencing requirements instituted without industry consultation, bookkeeping services in New South Wales now face elevated compliance and training costs that must be passed on to clients. As a result, more businesses are expected to attempt to manage their own finances without professional assistance, increasing the risk of errors and penalties.⁹

A Gold Coast-based education and training business with less than six employees had to hire two full-time staff members to navigate compliance duties. The wages for those compliance workers amounted to \$175,000, a sizeable bill for a company that turns over around \$1 million per year.¹⁰

In the construction industry, government projects require contractors and subcontractors to meet the same set of baseline obligations. This produces a financial burden on small businesses, who must sign complex contracts designed for larger companies. Productivity losses ensue; the owner of a small construction business in the Illawarra reported spending 40 hours per week on compliance tasks targeted at large 'tier one' companies.¹¹

The assessment pathways for health technology have been described as slow and opaque.¹² It takes 466 days for a medicine to progress from Therapeutic Goods Administration (TGA) registration to Pharmaceutical Benefits Scheme (PBS) listing in Australia: almost 90 days longer than the OECD average and over 300 days longer than the likes of Japan, Germany and the Great Britain.¹³ Since health and productivity are closely linked, these delays carry adverse consequences for individual wellbeing as well as the economy at large.

ACCI's Small Business Conditions Survey 2025 revealed that 61% of surveyed small businesses spend over \$20,000 annually on compliance.¹⁴ This represents an increase from 40% in 2024. The results indicate that the most burdensome types of regulation are those related to taxation, licences and permits, and environmental requirements.

The Corporations Act 2001 and circular economy initiatives typify Australia's red tape woes.

The Corporations Act 2001 regulates the conduct of over 3.2 million firms as well as financial markets worth trillions of dollars. In 2024, the Australian Law Reform Commission (ALRC) declared that the 'unnecessary complexity in the existing legislative framework generates unnecessary costs and gives rise to legislative inflexibility'.

The ALRC identified five deficiencies in the Corporations Act 2001:¹⁵

- > the extensive use of notional amendments, which change the legal effect of a provision through subordinate legislation without altering the primary law and thereby create uncertainty for businesses;
- > an incoherent legislative hierarchy wherein provisions are positioned unpredictably;
- > a legislative maze full of proliferating powers and proliferating instruments;
- > poorly designed primary and delegated legislation that obscure important messages; and
- > problems in law-making processes and legislative maintenance.

These complexities impede innovation, make it more challenging for consumers and investors to identify their rights, and increase the difficulty of enforcing legislation.¹⁶

Regulatory barriers are impeding Australia's circular economy ambitions. The Productivity Commission identifies a number of factors that limit the adoption of circular practices, including:¹⁷

- > prescriptive construction standards that constrain the adoption of material-efficient technologies and limit the use of recycled materials in public infrastructure projects;
- > anaerobic digestion regulations restricting biogas-to-energy conversion; and
- > mining regulations discouraging companies from closing material loops by extracting residual minerals from waste.

Businesses operating across different states also incur additional costs due to jurisdictional inconsistencies in:

- > regulations governing lithium-ion battery disposal;
- > waste classifications; and
- > kerbside recycling requirements.

Despite a growing focus on sustainability, suboptimal regulatory design has slowed the uptake of circular economy initiatives.¹⁸



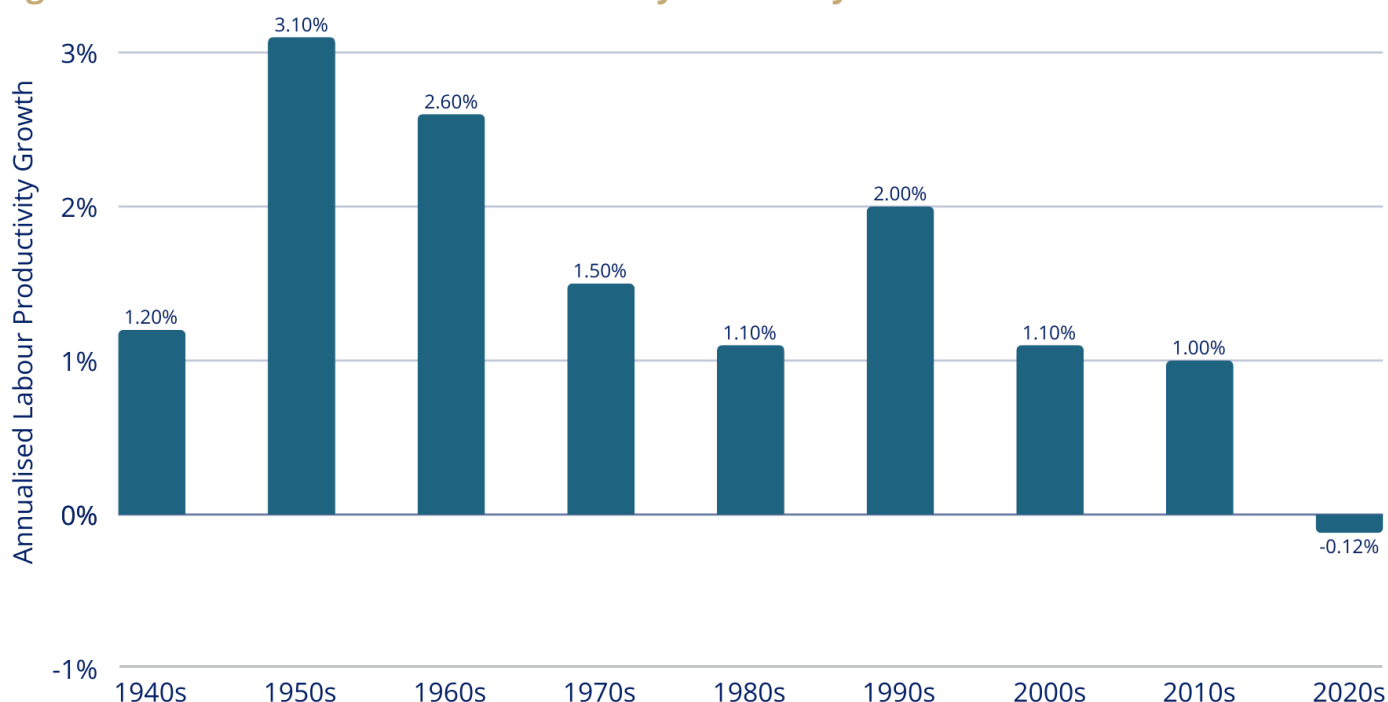
Red tape matters because businesses are engines of enterprise. Economies flourish when firms compete, adapt and innovate in response to customer demand, just as they suffer when firms operate below their productive capacity. When regulation curtails businesses, we all pay the price.

The Repercussions of Red Tape are Felt Most Acutely in the Form of Muted Productivity Growth

The ability to produce better and more plentiful goods and services with fewer resources is the most powerful known driver of real wages. When productivity surges or stalls, living standards follow suit.¹⁹

Figure 1.1 below underlines that Australia is in the midst of an historic productivity slump. Only Mexico’s productivity has regressed more rapidly among OECD nations in the post-pandemic era.²⁰ The outlook is bleaker still, with the RBA recently downgrading its medium-term labour productivity forecast from one per cent per year to 0.7 per cent per year.²¹

Figure 1.1: Annualised Labour Productivity Growth by Decade



Sources: 1940s to 2010s estimates derived from HoustonKemp analysis of Productivity Commission data, available at: <https://www.pc.gov.au/inquiries-and-research/resilient-economy/interim/>, tab: 'Figure 1.1 (right panel)'. 2020s estimate derived from HoustonKemp analysis of ABS data, GDP per hour worked index, series ID A2420645R, 2020-21 to 2023-24, available at: <https://www.abs.gov.au/statistics/economy/national-accounts/australian-system-national-accounts/2023-24>.



There are two key mechanisms through which red tape stifles productivity.

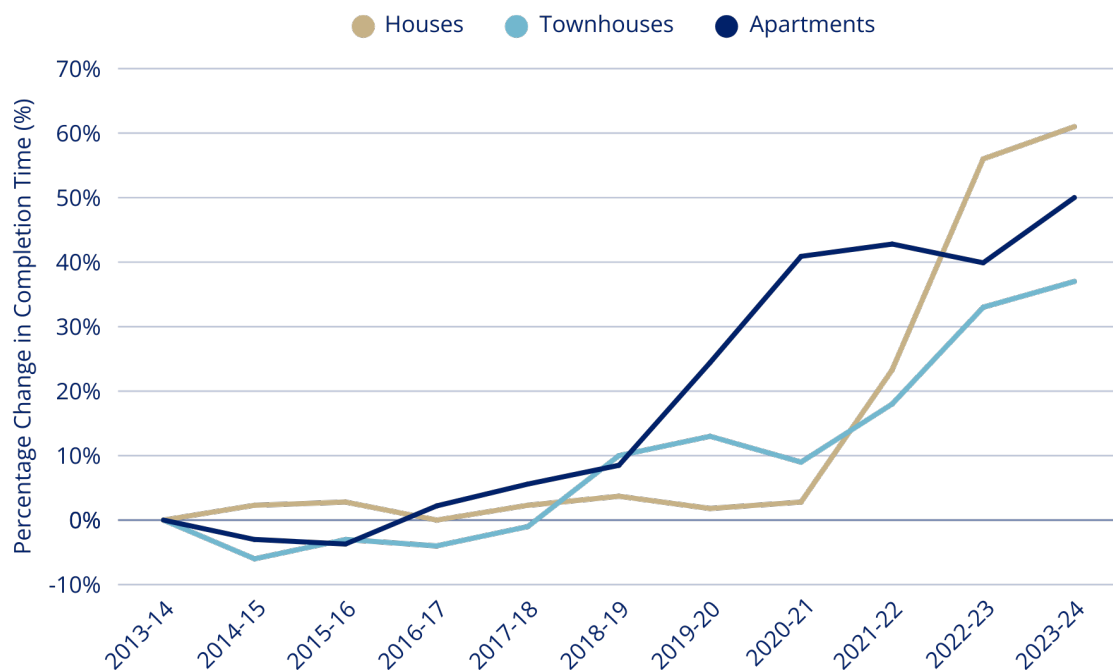
First, Red Tape Creates Capacity Constraints.

When a business spends hours filling out forms, it spends less time producing goods and services and contributing positively to the economy. When it incurs thousands of dollars in compliance costs, it has less money left over to pay employees, purchase new equipment and engage in research and development. When it faces lengthy licencing delays, a business cannot put its ideas into action.

These obstacles are hampering some of our top public policy goals.

As an example, with property prices continuing to skyrocket, more and more Australians find themselves locked out of the housing market. Both major parties have recognised the need to build more residential dwellings, yet the average completion time for houses surged by over 60 per cent between 2013-2014 and 2023-2024 – see figure 1.2.

Figure 1.2: Change in average completion time for residential dwellings since 2013-14



Source: HoustonKemp analysis of ABS data, available at: <https://www.pc.gov.au/inquiries-and-research/housing-construction/>, tab: 'figure 1.2'. Note that apartment completion times only encompass New South Wales, Victoria and Queensland.

While there are many factors influencing construction, it is widely recognised that sluggish approvals processes are a key contributor to slower completion times. The chair of the Productivity Commission, Danielle Wood, noted in an address to the National Press Club that:²²

It's not the time laying bricks that's blown out. It's the approvals processes: from planning, to heritage, to building approvals, environmental and traffic impact statements.

Of particular concern is the adoption of policies that inflict net costs to society. Policymaking requires us to navigate competing priorities with foresight and discipline. Although new standards and obligations are often warranted, the Productivity Commission has identified at least four instances where revisions to the National Construction Code (NCC) were implemented despite adverse regulatory impact assessments.²³



The Productivity Commission also suggests that in many cases that productivity benefits of changes to the NCC are overstated. The recent introduction of the seven-star energy efficiency standard has increased the cost of constructing some buildings by up to \$40,000 yet provides very little improvement in energy efficiency.²⁴

The Economic Reform Roundtable recognised reform of the NCC as a priority. The government has since announced a pause on changes to the NCC till 2029 following the finalisation of the 2025 NCC. It is intended this will provide stability and certainty on regulation for builders. It is intended for the pause to give time to streamline the NCC and adopt Artificial Intelligence (AI) to improve its useability. However, it will take some time for the benefits of this to reduce approval times and increase the rate of construction.

In addition to the NCC, the environmental approval process under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) is paralysing the development of housing estates and other major projects, including infrastructure, mining and renewable energy projects.²⁵

Environmental regulation is extremely complex and prescriptive, with multiple layers of assessment and approval processes. There is a considerable level of duplication between the Commonwealth and state processes and often competing demands that can impede progress of approvals. This is holding back business investment and economic development.

The regulatory burden can lead to extensive delays in approval times and severe budget blow-outs for major projects. Government agencies have also proven overzealous in regulating activities, particularly major projects that require approvals across several jurisdictions. The challenges in navigating the Australian regulatory environment and bringing major projects to fruition can appear insurmountable, which often leads investors to look overseas rather than invest here.

The renewed urgency to progress the EPBC Act reforms prompted by the Economic Reform Roundtable is welcome. The Environment Protection Reform Bill 2025 tabled in the House of Representatives at the end of October 2025 introduces some measures that will reduce approval times, such as bioregional assessment and allowing state government agencies to undertake environmental assessments where the state legislation aligns with the EPBC Act. However, there are a number of other proposed reforms, such as Environmental Protection Orders ('stop work' orders) that can be in place indefinitely without review or appeal and aspects of environmental offsets that are impractical and don't take into account the staging of some development. These add uncertainty and are likely to delay the development of some major projects or rule them out completely.²⁶

The consequences of cumbersome regulation extend beyond delays to project delivery. As noted by the Australian Energy Market Commission (AEMC), 'uncertainty over timing, the likelihood of success and the interdependence of multiple approval processes...can "chill" the signal for new investment.'²⁷ This risks an increase to the cost of capital, a burden that is ultimately borne by taxpayers and consumers.

Put simply, unnecessary regulation costs us time as well as money. The Productivity Commission encapsulates the multitude of benefits that would flow from a more efficient system:²⁸

Faster approvals will reduce emissions, reduce costs for developers, attract investment and help give consumers access to cheaper and cleaner energy than a slow approvals system would offer. These benefits will all support productivity growth.



This leads us to the other problem with red tape.

Second, Red Tape Inhibits our International Competitiveness.

Once a magnet for business investment, Australia is losing ground in the global race for capital. Non-mining capital expenditure as a share of GDP has fallen by 3.2 percentage points since the global financial crisis.²⁹ At 1.66 per cent of GDP, our research and development spend trails the OECD average by more than a full percentage point.³⁰

Although underwhelming business investment is a common affliction in the developed world, Australia has endured a significant decline relative to its peers. We are the third-worst performing OECD nation in terms of ‘investment gap’ – shortfall in investment not attributable to output developments³¹ – and have fallen to the 18th most competitive economy in the world, having occupied a top five spot as recently as 2010.³²

A PwC compliance survey found that complex obligations routinely derail business’s investment ambitions, with a majority of respondents stating that the compliance burden affects their ability to adopt AI, enter new markets, launch new services and conduct corporate transactions.³³

Business investment is crucial because capital equipment makes workers more productive. An additional oven allows the chef to feed more mouths just as prefabrication allows the builder to construct more homes faster.³⁴ In fact, rising capital per worker – or capital deepening – has propelled most of Australia’s historical labour productivity growth.³⁵ To deter investment is to flatten productivity.

In addition, Australia’s trade-related systems at the borders are not keeping pace with technology, undermining our efficiency, detracting from our international competitiveness and imposing red tape burdens on business. Australia’s trade ecosystem is highly complex, comprised of 145 ICT cross-border trade systems, involving 30 separate government agencies and subject to over 200 cross-border trade regulations.³⁶ As a result, rather than businesses telling government information once, businesses are required to spend time and effort telling multiple agencies the same or similar information. For government, it creates pain-points that limit the availability of data they require to fulfil their regulatory purposes and obligations, impacting their productivity. Examples include, import and export declarations submitted through the Integrated Cargo System, phytosanitary certificates issued through the Export Documentation System (EXDOC) portal and Defence Export Controls handled through the My Australian Defence Exports (MADE) portal. Rather than ‘tell us once’, our existing systems are ‘tell us each once’.

At the international level, the UNCITRAL Model Law on Electronic Transferable Records (MLETR) has been developed to provide legal certainty to traders. The Model Law assists businesses by enabling the exchange of key trade documents electronically, with the same legal effect as paper-based exchanges of documents. Greater effort is needed to modernize Australia’s border systems, to link in with this international approach and reduce the compliance burden for business across government agencies.

No OECD country experienced a steeper decline in disposable income between 2021 and 2024 than Australia.³⁷ The damage has not been entirely self-inflicted – external forces such as a slowing Chinese economy and falling commodity prices have played a role – but if we are to rise again, it must be of our own doing.

To turn our fortunes around, we must encourage firms to enter new markets, adopt innovative production techniques and seek growth.³⁸ Relaxing the grip of red tape will not only cultivate these incentives but also revive confidence in Australian business.

In Addition to this, Red Tape can have Widespread Ramifications Beyond Productivity.





In addition to the negative impact on business operations and productivity which red tape can have, its effects can also be felt by businesses in critical moments, such as in the case of a data breach or cyber-attack. Heavy-handed, at times contradictory or overlapping regulation on reporting can exacerbate threats to business continuity and restoring business operations after a breach – and the requirements follow different timelines. This not only raises concerns for getting a business back up and running and communicating with key stakeholders (e.g. customers), but it raises issues for security and compliance, as non-compliance comes with hefty fines.

By way of example, an Australian bank would have to report a data breach to at least the following agencies, each with different reporting mechanisms and information requirements:

- > Office of the Australian Information Commissioner (OAIC) under the Privacy Act Notifiable Data Breaches Scheme – as soon as practicable
- > Australian Prudential Regulation Authority (ARPA) under CPS 234 Information Security – immediately (or within 10 days, depending on breach type)
- > Australian Cyber Security Centre (of the ASD) for critical infrastructure under the Security of Critical Infrastructure (SOCl) Act – within 12 hours
- > Australian Securities and Investments Commission (ASIC) if breach affects market integrity or disclosure obligations – promptly
- > Law enforcement, if criminal activity is suspected – immediately upon confirmation
- > Updating of Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) risk assessment, if breach involves customer identity data or transaction records
- > Affected customers / general public where required

Rethinking Australia's Approach to Regulation

Features of Effective Regulation

Australia's policymakers understand that the role of government is to improve the prosperity of the nation and its people. *The Reserve Bank Act 1959* and *Competition and Consumer Act 2010* each strive to promote welfare³⁹ while the stated mission of the Department of the Prime Minister and Cabinet is to 'improve the lives of all Australians'.⁴⁰

Accordingly, every regulation should be judged on the costs and benefits it generates across the economy. Specific policy goals matter, but they are only one piece of the puzzle.

Table 2.1 illustrates the characteristics of effective regulation as identified the OECD, and the Office of Impact Analysis principles for Australian government policymakers. Economy-wide considerations are evident on both lists.

Table 2.1: Principles of effective regulation according to OECD and Office of Impact Analysis

OECD	Office of Impact Analysis
<ul style="list-style-type: none"> > Serves clearly identified policy goals > Has a sound legal and empirical basis > Produces benefits that justify costs > Minimises costs and market distortions > Promotes innovation through market incentives and goal-based approaches > Is clear, simple, and practical for users > Is consistent with other regulations and policies > Is compatible as far as possible with competition, trade and investment-facilitating principles at domestic and international levels 	<ul style="list-style-type: none"> > Policymakers should clearly demonstrate a public policy problem necessitating government intervention, and should examine a range of genuine and viable options including non-regulatory options > Each proposal must include a clear set of objectives > Regulation should not be the default option; the option offering the greatest net benefit should be recommended > Policymakers should consult in a genuine and timely way with affected stakeholders > The information upon which policymakers base their decisions must be published at the earliest opportunity > The most significant policy proposals must undergo a post-implementation review

Sources: *Independent Review of whole-of-government internal regulation, Volume 1 – recommendations, August 2015, pp 12, 13, 16 and 25*; *OECD guiding principles for regulatory quality and performance, 2008, p 3*; *Office of Impact Analysis, Australian government guide to policy impact analysis, March 2023, p 6*.

Australia must Rethink its Approach to Regulation

Following stakeholder consultation, the Productivity Commission compiled a list of 'the most common and impactful issues' affecting Australian businesses, i.e.:⁴¹

- > band-aid regulation that does not address the underlying cause of the problem;
- > duplicate or inconsistent regulation that can manifest as multiple regulations affecting businesses in a geographic area or sector;
- > overly prescriptive and rigid regulation that leaves little room for adaptation;



- > overly risk averse regulation that pushes too hard to address all harms or eliminate all risk, creating a disproportionate regulatory burden;
- > regulatory delay when regulatory bodies fail to make timely decisions or provide necessary approvals or permits within a reasonable time frame; and
- > cumulative burden of multiple overlapping or conflicting regulations which is often overlooked when assessing individual regulations in isolation.

In other words, much of our regulation exhibits characteristics that stand in direct contrast to those championed by the OECD and Office of Impact Analysis.

It is important to ask why we find ourselves in this position.

A lack of knowledge is clearly not the problem. After all, the principles of effective regulation are well established. Nor is the problem one of indifference. Capability is also not a barrier. Though forecasting is an imperfect science, the Australian government publishes credible frameworks to estimate the costs and benefits of proposed policies.⁴²

Above all, what's required is a shift in mindset. Australia's approach to regulatory design suffers from three key shortcomings that erode national prosperity.

First, is a tendency to operate with 'tunnel vision', as highlighted by the Productivity Commission. There is a widespread concern that regulators, policymakers and ministers 'allow their primary regulatory or policy objective to outweigh all other considerations'.⁴³ Federal guidelines encourage decision makers to contemplate the trade-offs of proposed interventions,⁴⁴ but these assessments often turn out to be inconsequential because they 'come too late in the process and are sometimes retrofitted to support a decision that has already been made.'⁴⁵ In the absence of robust evaluative frameworks, new regulations are more likely to be costly, duplicative or overly prescriptive.

For example, care providers face a multiplicity of safety and quality regulations that either overlap one another or set inconsistent service standards. Individually, these regulations strive to advance important goals. Collectively, they generate a serious administrative burden that costs businesses hundreds of thousands of dollars every year.⁴⁶

Care users and care workers both bear the consequences of fragmented regulation. When providers are overwhelmed with administrative costs, they may be forced to withdraw some services or forego opportunities to augment their offerings. When screening processes are disjointed, workers must pay to undergo various checks that are substantively identical.⁴⁷ This is the product of a system that focuses too much on intent and not enough on implications.

Second, there is a growing misconception that inefficiencies can be regulated out of existence. It is widely understood that governments ought to step in when markets fail. However, in the real world, not every undesirable outcome can be remedied through regulatory intervention.

An inclination to pass fresh regulations in the face of new challenges has steadily elevated the government's involvement in business operations over time. This is exemplified by the proposed digital competition regime, which would allow the Minister to impose upfront (or ex ante) obligations on technology companies in the absence of proven anticompetitive behaviour.⁴⁸ A shift from ex post to ex ante intervention would mark a significant expansion in regulatory powers.

Furthermore, there is limited evidence that existing regulations are inadequate. The government has argued that digital platforms warrant special attention because they possess 'substantial market power'.⁴⁹ However, section 46 of the Competition and Consumer Act 2010 already 'prohibits a firm with a substantial degree of market power from engaging in conduct that has the purpose, effect or likely effect of substantially lessening competition in a market'.⁵⁰ The Australian Competition and Consumer Commission (ACCC) has never accused a digital platform of misusing its market power under section 46, even though private parties have initiated successful proceedings under this provision.⁵¹ The case for further regulation is therefore unclear.



The prospect of a dedicated digital competition regime – especially one that imposes pre-emptive restrictions on businesses – reflects a broader trend of regulatory remits growing ever larger over time.

The European Union's Digital Markets Act (DMA) and United Kingdom's Digital Markets, Competition and Consumers Act 2024 (DMCC) have ostensibly influenced the Australian proposal for a digital competition regime. These were designed to promote competition in digital markets and have thus far yielded mixed results.

Early evidence suggests that the DMA could 'shift business strategies toward safer, small-scale optimisations rather than bold, disruptive advancements'⁵² and inflict up to EUR 114 billion in economic losses by eroding the efficiency of online platform services.⁵³

The DMA forced Google to disable clickable maps in search results, remove the Maps tab from the search bar and solicit consent to link the services together. Following these changes, 62 per cent of customers reported an increase in search times, 33 per cent reported that the relevance of search results had declined, and 35 per cent said that map services had deteriorated in quality.⁵⁴ Google noted that DMA compliance had 'degraded' some of its services and resulted in 'worse experiences for users and European businesses'.⁵⁵ Similarly, Apple stated that DMA compliance caused feature delays, security vulnerabilities and privacy concerns, with at least three product features being postponed indefinitely.⁵⁶

The direct costs of complying with the DMA have also spiralled beyond expectations. Initially projected to incur under EUR 2 million per year, the designated 'gatekeeper' companies have assumed an astronomical compliance burden. For example:⁵⁷

- > Amazon reported that its compliance costs have been 'multiple orders of magnitude beyond' the predicted amount;⁵⁸
- > Apple had 'thousands of employees...dealing with the impact of the DMA';
- > Meta deployed over 11,000 employees and 600,000 engineering hours on DMA compliance over a two-year period; and
- > Google assigned approximately 3,000 full-time employees to ensure compliance with just a single article in the DMA – most of these were engineers who could have spent their time on product design or research and development.

Ultimately, it is customers who bear the brunt of dampened innovation, higher business costs and weaker service quality. These consequences should serve as a cautionary tale for Australia.

Third, regulation often prioritises visibility over results. This occurred in 2024 regarding the topic of divestiture powers for supermarkets. Multiple parties supported a proposal to break up the supermarkets despite compelling evidence indicating that the policy would hurt firms and consumers alike.⁵⁹ Indeed, divestiture powers had been rejected by at least five previous reviews:

- > a 1991 report by the Senate Standing Committee on Legal and Constitutional Affairs;⁶⁰
- > the 1993 National Competition Review (Hilmer review);⁶¹
- > the 2003 Review of the competition provisions of the Trade Practices Act (Dawson review);⁶²
- > the 2015 National Competition Review (Harper review)⁶³ and
- > the 2024 Independent Review of the Food and Grocery Code of Conduct (Emerson review).⁶⁴

The proposal appeared to be addressing an issue but neglected the broader economic implications.

Each of these three shortcomings is conducive to the accumulation of regulatory excess. Therefore, it is not enough simply to slash existing red tape – we must also rethink our approach to regulatory design. That requires us to accept a simple premise: regulatory arrangements must be designed to keep the economy on the path to prosperity.



Lessons from the International Experience

Regulatory reform with the objective of boosting productivity and economic growth is not a new phenomenon. It has long been a tool used by governments at national, regional and municipal level.

According to the OECD's Regulatory Policy Outlook 2025,⁶⁵ many member countries have adopted measures aimed at simplifying regulation in recent years, including, but not limited to: **Chile** (Regulatory Impact Assessment system, 2022), **Colombia** (SUCOP one-stop shop), **Czechia** (adoption of three 'antibureaucratic packages' since 2022), **Denmark** (Business Regulation Forum for industry stakeholders to advise on regulation, as well as the Better Regulation Unit of the Danish Business Authority), **Estonia** (extensive process of Regulatory Impact Assessments), **Germany** (new Digital Readiness Check to ensure new rules are fit for digital implementation), **New Zealand** (Ministry for Regulation), and **Sweden** (newly established Simplification Council to identify areas for simplification for businesses).

The case studies below encompass a wide range of jurisdictions that vary in size, geography, composition, wealth and preferred reform strategy. Each carries valuable lessons for Australia.

Regulation to Support Growth: United Kingdom

The Challenge: In the first year of the Labour government, a new policy direction⁶⁶ was set for de-regulation. The existing regulatory system was increasingly seen as a barrier to growth, with excessive complexity, duplication, and administrative burdens stifling innovation and investment. Businesses faced uncertainty due to fragmented regulatory frameworks, inconsistent objectives, and unclear government guidance, which undermine predictability and agility. Risk aversion within regulators, driven by fear of criticism and rigid rules-based approaches, further limited responsiveness to emerging technologies and industries. The cumulative impact of poorly designed regulations and an expanding network of over 100 regulatory bodies added billions in costs, reducing competitiveness and deterring investment. Reform was urgently needed to simplify regulation, restore global leadership, and support the UK's industrial strategy and growth ambitions.

The Reform: The government committed to a number of key actions, including:

1. Tackling the complexity and burden of regulation, including establishing a baseline for the administrative costs of regulation, and consolidating certain authorities and regulators to reduce the number of government bodies to which companies must report
2. Reducing uncertainty across the regulatory system, including the streamlining of the duties of the key regulators (gas and electricity, water, and transport among others)
3. Challenging and shifting excessive risk aversion in the system, with the objective of empowering companies to adopt new technologies which can boost productivity

The Outcome: Reforms are still underway, but crucially, key regulators have already collaborated with central government to pledge certain KPIs of the deregulation agenda: the Financial Conduct Authority (FCA) will reduce regulatory reporting requirements for firms, the Environment Agency will accelerate responses to planning applications (within the 21 day target), and the Gas and Electricity Market regulator (Ofgem) will offer flexibility in retail rules to allow new entrants or existing companies to try new commercial approaches.



A Business Voice to Government for Simplification: Denmark & Sweden

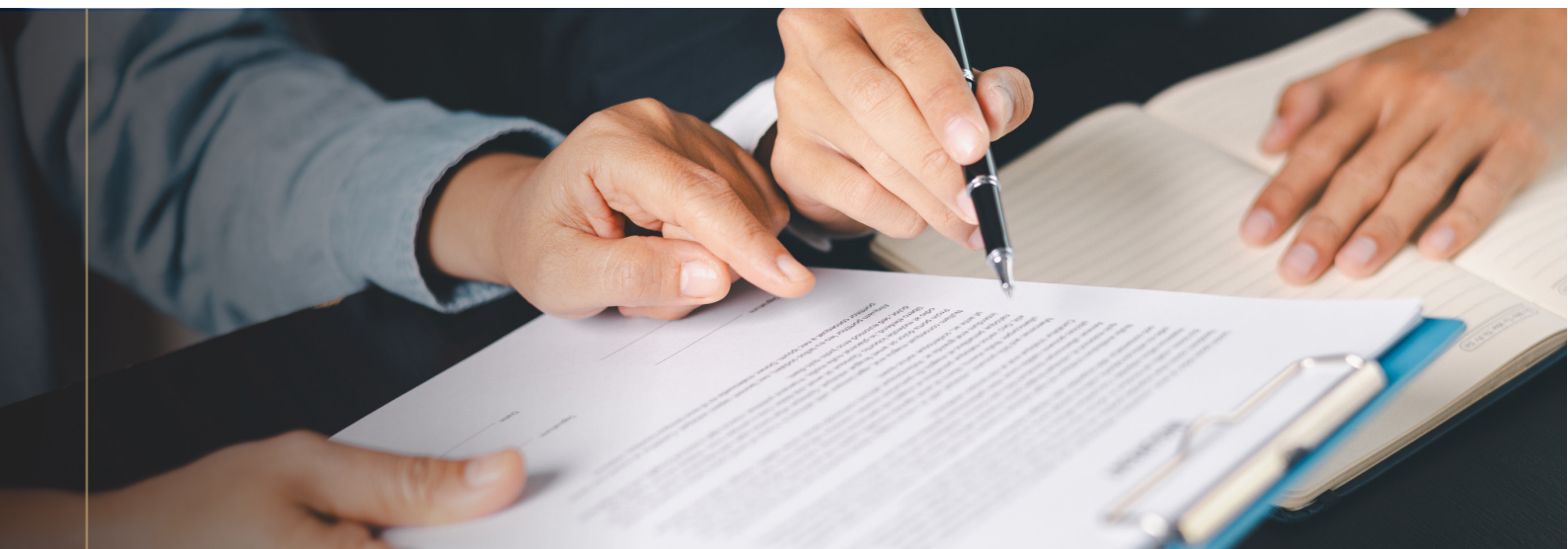
The Challenge: Across the EU, and in many individual member states, there is an understanding that the administrative burden faced by businesses is one of the contributing factors to low competitiveness, driven not just by EU regulations, but by the piecemeal and contradictory implementation of those rules by national governments. Coupled with national laws and regional regulations, this makes doing business in a given country difficult and adds to the complexities of establishing business in more than one EU member state.

The Reform: Building on a long-established culture of regulatory simplification and impact assessments, the Danish Business Authority established the Danish Business Regulation Forum⁶⁷ to provide specific recommendations to government on new and upcoming national and EU regulation, so that implementation entails the least cost for business. Crucially, the Forum provides highly specific and detailed recommendations which can be actioned by government. The Forum identifies the areas in which companies face the greatest compliance challenges in regard to costly rules and proposes potential simplifications.

Similarly, in Sweden, in April 2024, the government established a Simplification Council⁶⁸ (Förenklingsrådet) with the task of identifying areas of simplification for business. The Council receives and analyses proposals from the business community and submits concrete proposals to the government on how to reduce administrative burden. Proposals and estimated impact are published on the Council's website.

The Outcome: Since 2020, the Danish Forum has made several hundred official recommendations, which are tracked on its website, including with a status update (processed by the government, partially followed, followed etc.). Each recommendation comes with a clear background to the problem, a recommendation, and the response from the government. At present, the Danish government is also exploring the digital readiness of the regulatory stock (over 1600 laws predating the digital requirements) in a project cofinanced by EU funds and supported by the OECD.

The Swedish Simplification Council has seen 22 proposals made to the government in the first year of operation, of which three are being subject to in-depth assessment by the government, with the aim of cutting red tape.



Simplifying the Regulatory Landscape: The European Union

The Challenge: Published in September 2024, the Draghi report (officially, The future of European competitiveness) concluded that the proliferation of red tape has imposed high compliance costs and legal uncertainty on European businesses. The EU passed 13,000 pieces of legislation between 2019 and 2024, more than six times as many as the United States.⁶⁹

The report noted that regulatory barriers are particularly onerous in the technology sector, which is subject to the purview of over 270 regulators and more than 100 industry-specific laws. The rise of ex-ante obligations also creates fresh challenges. For instance, the AI Act imposes special requirements on models that exceed a pre-defined threshold of computational power, effectively penalising the development of state-of-the-art artificial intelligence tools. In sum, the risk aversion, complexity and fragmentation of technology regulations strangle innovation and discourage firms from operating in the EU.⁷⁰

When it comes to Europe's most important growth opportunity, the Draghi report is unambiguous:⁷¹

First – and most importantly – Europe must profoundly refocus its collective efforts on closing the innovation gap with the US and China, especially in advanced technologies...

...With the world on the cusp of an AI revolution, Europe cannot afford to remain stuck in the “middle technologies and industries” of the previous century.

The Reform: The Draghi report issued a number of recommendations to reignite growth and productivity, the simplest of which was to cut the cost of reporting obligations by 25 per cent for all businesses and by 50 per cent for SMEs.⁷²

The report also proposed that the EU acquis – the collection of common rights and obligations that bind all member states – be streamlined under the stewardship of a new Vice President for Simplification. This would begin with a systematic assessment of all existing regulations at the start of each Commission mandate, followed by a codification and consolidation process to remove overlap and inconsistencies throughout the 'legislative chain'. Digital tools such as large language models would be expected to play a central role in this endeavour.⁷³

In a similar vein, various complementary recommendations promoted greater cross-country alignment. One such recommendation was to harmonise the spectrum licencing process. Currently, each EU member state runs its own spectrum auctions under its own unique rules. European companies therefore 'lack the scale required to provide citizens with ubiquitous access to [fibre] and 5G broadband and to equip businesses with advanced platforms for innovation'. A pan-EU market would allow telecom providers to access economies of scale and attract higher levels of capital investment.⁷⁴

The Outcome: One year on from the publication of the Draghi report, the EU's deregulation efforts remain a work in progress. Although concerns about technological innovation are as pertinent as ever (see section 2 above), the European Commission has taken steps to alleviate the weight of onerous and complex obligations. For example, it has tabled six 'Omnibus' packages to simplify regulation and save EUR 8.4 billion per year across the following domains:⁷⁵

One year on from the publication of the Draghi report, the EU's deregulation efforts remain a work in progress. Although concerns about technological innovation are as pertinent as ever (see section 2 above), the European Commission has taken steps to alleviate the weight of onerous and complex obligations. For example, it has tabled six 'Omnibus' packages to simplify regulation and save EUR 8.4



billion per year across the following domains:⁷⁵

- > sustainability;
- > investment;
- > Common Agricultural Policy;
- > SMEs and small mid-cap enterprises;
- > defence readiness;
- > chemicals; and
- > forthcoming omnibus proposals, some of which are currently under consultation, include digital, environment, food and feed, automotive, energy product legislation, taxation, and citizens.

By way of example, the first of these seeks to postpone Corporate Sustainability Reporting Directive (CSRD) requirements by two years and relax reporting obligations for 80 per cent of companies. If approved by the European Parliament and Council, it would also simplify reporting standards with fewer mandatory datapoints, no sector-specific requirements and stronger protections against reporting demands imposed on small suppliers by larger companies. The package, which also includes modifications to the European Sustainability and Reporting standards (ESRS), is expected to deliver EUR 2.5 billion in immediate relief and EUR 4.4 billion in ongoing annual savings.⁷⁶

The European Commission also appointed former Latvian Prime Minister and veteran Commissioner Valdis Dombrovskis as the first Commissioner for Implementation and Simplification, in addition to his portfolio for Economy and Productivity.⁷⁷ In this capacity, he is specifically responsible for leading the Commission's work to review EU law, eliminate overlaps and contradictions, identify hurdles that stakeholders face, and reduce the administrative burden.

Encouraging Greater Alignment in Cyber Regulations: OECD

The Challenge: Red Tape is not only a problem from an economic point of view, in so far as it represents a major compliance burden. Heavy-handed and diverging approaches to regulation can exacerbate threats related to business continuity and national security. With specific reference to cyber security, ever more regulation (introduced with good intentions) is being driven by concerns of national sovereignty, with differing sectoral approaches and legacy frameworks and asynchronous policy development. The result of this is a fragmented regulatory landscape, which raises the compliance burden for businesses (especially those operating in more than one country), represents obstacles to innovation and competitiveness, as well as a real risk to crisis response and resilience, especially where international cooperation is required.

The Reform: Having identified cyber security overregulation, and regulatory fragmentation specifically, as a major issue for businesses and countries, work is beginning in the OECD, as well as in the business group Business at OECD (BIAC) to facilitate international dialogue and encourage greater alignment among countries' cyber security regulations.

The Outcome: The project is in its very early stages. Policy options to reduce the regulatory burden and rationalise the fragmented landscape include creating an OECD 'hub' / repository of cyber security regulations in member countries to get a clear vision of the compliance burden, the creation of an expert group, and the potential development of unified compliance frameworks in selected regulatory areas.



Recommendations

It is clear that Australia's appetite for regulatory reform is growing. The Treasurer's Economic Reform Roundtable, ASIC's 9,000-page regulatory clean-up and the Productivity Commission's 'five pillars of productivity' inquiries have indicated an appetite to address the red tape problem.⁷⁸ The next step is to implement targeted policies that will make this vision a reality.

The goal is not just to cut red tape today, but also to prevent the accumulation of inefficient, prescriptive and duplicative regulations in the future. Thus, a successful reform effort must:

- > shrink the existing stock of regulation;
- > improve the processes through which new regulations are passed; and
- > simplify compliance mechanisms to limit the collateral costs of regulation.

Drawing from our analysis of current challenges and international success stories, we make the following recommendations to help unlock Australia's economic potential.

At the most senior levels of government, recognise that red tape and over-regulation is a serious economic problem.

In order to address a serious economic problem like red tape, a government must send a strong signal that it recognises the seriousness of the issue. Only when the problem is fully recognised do relevant policymakers – Cabinet Ministers, staff, officials, and regulators – focus on addressing the issue.

In the United Kingdom, Prime Minister Keir Starmer has issued a clarion call for action on red tape in order to address the deep problems facing the British economy. "Thickets of red tape," he said in January, have "spread through the British economy like Japanese knotweed."⁷⁹ To stimulate necessary investment, he said, we are going to "clear out the regulatory weeds and allow a new era of British growth to bloom."

This clear direction from the top has focused the minds of Cabinet colleagues and civil servants towards removing barriers to economic activity.

Issue a Growth-First Directive to all Government Departments and Regulators

By enshrining economic growth as its foremost objective, the Australian government will initiate a shift in priorities. We identified in section 2 that well-intentioned policies sometimes create undesirable second-order outcomes. An explicit growth mandate will encourage legislators to consider the wider ramifications of their policies and evaluate all proposals through the lens of prosperity.

For example, a growth-first mandate is especially important when thinking about how to regulate artificial intelligence (AI). The risks associated with emerging technologies warrant due consideration – but so do the opportunities. AI could unleash 4.3 per cent in labour productivity growth and \$116 billion in additional GDP over the next decade according to the Productivity Commission.⁸⁰ We must not hold ourselves back with overcautious regulation.



Target a 25 per cent Reduction in the Compliance Burden by the end of 2030

Regulatory simplification is a demanding journey. A well-defined finish line makes things easier. The international experience teaches us that a 25 per cent red tape reduction target over five years is ambitious, attainable and, above all, effective.

For Australia, the most feasible course of action is to target a 25 per cent reduction in compliance costs to business. This is because the Office of Impact Analysis already tracks the compliance burden induced by new regulations on an annual basis.

Create a Dedicated Minister for Red Tape Reduction

The size of Australia's productivity problem means that we need leadership from the top. Given the pervasiveness of complex, duplicative and prescriptive regulations, there is a strong case for the appointment of a dedicated Cabinet-level Minister for Red Tape Reduction. The role of the Minister would be to:

- > spearhead a government-wide push to achieve the 25 per cent compliance cost reduction target
- > oversee a regulatory stocktake;
- > facilitate interdepartmental cooperation as policymakers strive to abbreviate and harmonise regulations;
- > solicit twice-yearly progress reports in relation to red tape reduction from other ministerial portfolios;
- > delineate the responsibilities of state and national governments at the National Cabinet to encourage interjurisdictional consistency and best practice regulation;
- > establish a National Harmonisation Taskforce, spanning Commonwealth and state / territory governments, with a focus on simplifying and aligning regulation across levels of government and jurisdictions in key areas;
- > monitor the performance of reform efforts over time;
- > engage with industry stakeholders; and
- > adopt evidence-based simplification models from overseas governments.

Understand and Reduce the Impact of Red Tape on Small Businesses

There are numerous definitions of what a 'small business' is, which is just another layer of complexity which small businesses face – before they can determine what red tape and programs are applicable to them. Government can take tangible steps to – in the first instance – properly understand the burden of regulation on small businesses, and second, reduce regulatory obligations commensurate to size of business, where appropriate. These measures should include:

- > align definitions of small business across portfolios
- > streamline the definition of small business in the Fair Work Act to fewer than 25 employees
- > require that a Small Business Impact Assessment be undertaken and published for all proposed legislative or regulatory measures



Digitalise Compliance and Monitoring

Regulatory reform is a crucial but time-consuming process. Technology has the power to accelerate our progress while also generating immediate wins. International evidence suggests that digitalisation is ‘one of the most effective tools for reducing the bureaucratic burden of existing regulatory density’, while the Productivity Commission states that digitalisation can make paper-based procedures such as financial reporting more efficient, transparent and accurate.⁸¹

In addition, the Draghi report noted that policymakers can harness the power of large language models to identify overlaps and inconsistencies in the existing stock of regulation. This removes the need to sift manually through vast quantities of bills, acts and orders. Human discretion remains crucial to successful regulatory design, and automation should complement the expertise of decision makers.

Reduce Barriers to Trade Through Digitalisation

The digitalisation of trade-related data has a wide range of applications, from efficiency and time savings for businesses, to enabling the uptake of trade finance products to help businesses manage their market risks, to driving the creation of data elements that can be leveraged for regulatory purposes. Realising the benefits of trade digitalisation for businesses will entail changes to legislation to enable private sector digitalisation and changes to government systems to remove significant pain-points arising from Australia’s complex border architecture.

First, government should act to provide legal certainty to traders by adopting the UNCITRAL Model Law on Electronic Transferable Records. This Model Law assists businesses to adopt digitalised trade processes by clarifying that exchange of key trade documents of title can occur electronically, with the same legal effect as paper-based exchanges of documents.

Australia also needs to position itself to take advantage of increasing standardisation as well as look to opportunities to take advantage of commercial data that already exists. This will ensure Australia’s regulatory settings are efficient and minimise red tape. More effort is needed to modernise Australia’s border systems, providing they deliver tangible benefits and a reduced compliance burden for business through a sound and joined up effort approach across government agencies. The focus must be on agreeing common data elements, aligned where appropriate with standards in international goods and financial supply chains in use. This can help to meet regulatory objectives across government agencies more efficiently, as well as putting in place data sharing arrangements between government agencies to permit those data elements to be auto filled for multiple purposes, minimising manual and duplicative data entry by businesses.

Simplifying and Streamlining the Environmental Approval Processes

Significant progress has been made since the Economic Reform Roundtable in progressing the reforms to the EPBC Act, with the tabling of the Environment Protection Reform Bill 2025 in October. The introduction of bioregional assessments and bilateral agreements will go some way to reduce delays and expedite environmental approvals for major projects.

However, further amendments to the Environment Protection Reform Bill are needed to get the reforms right so that, as well as delivering benefits to the environment, they deliver benefits to business and the economy. Changes needed to remove uncertainty and risk for proponents of major projects, include:

- > providing greater clarity around the definitions of unacceptable impacts, particularly what defines ‘irreplaceable’ and ‘seriously impair’
- > retaining Ministerial accountability for decision-making on environmental approvals to ensure economic and social factors are part of the consideration



- > clarifying and providing appropriate safeguards around the powers of the National Environment Protection Agency in relation to 'stop work' orders, which have no right of appeal or time limits and could leave projects in limbo for many years or indefinitely
- > streamlining greenhouse gas reporting requirements to be in line with global standards, and to remove duplication with other climate policies

Conduct a Comprehensive Review of, and Rationalise, Hundreds of Climate Change Policies

Rationalising policies would work to reduce the amount of complexity and compliance burdens that weigh down businesses. The focus must be on developing a comprehensive national principles-based approach to better align climate change and carbon emission reduction policies at federal, state and territory levels.

The environmental assessment and approval process for major projects is highly complex and the regulatory requirements on business are substantial. The emphasis of the Nature Positive reforms must be to simplify and streamline the environmental approval process, reduce the compliance burden and make it easier for businesses to invest and grow.

Simplify the National Construction Code for Building Approvals

With the National Construction Code (NCC) now spanning over 2,000 pages and referencing more than 165 Australian Standards is an excessive and onerous compliance burden on builders. The extraordinary complexity of the NCCC is undermining the pace, cost-efficiency, and feasibility of delivering new homes.

The recent announcement of a pause on changes to the NCC to 2029 will provide some relief and certainty for builders struggling to keep up with earlier changes to the code. However, to streamline and fast-track housing approvals, Australia needs a more simplified and consistent development approval system. A "one house, one approval" model should be adopted, allowing the construction of a single home on appropriately zoned land to proceed via a single, integrated pathway. This would drastically reduce compliance costs and approval times while preserving safety and quality standards. This approach will provide a pathway where a single dwelling would have access to a tailored design code, preferably a state code, and that where a design meets that code, there should be a one-step approval pathway available.

In recent months, a renewed emphasis on productivity in Australia has already yielded some promising results: the Economic Reform Roundtable of August 2025 brought together key decision-makers to discuss the many facets of boosting productivity in Australia, one of which is cutting red tape and ensuring that business is not laden with overlapping compliance obligations. A new Senate Select Committee on Productivity in Australia will explore, among other things, the current position of Australia's productivity, the impact of regulatory tax burdens, and opportunities for growth.

This is the key moment to make ambitious commitments to cutting red tape in the interest of all Australians, and we believe the above recommendations represent a bold step in the right direction.



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