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Speech Notes

EMBARGOED UNTIL 6PM

Vector Winter Series
Taking a Fresh Approach to Regulation
Delivering Quality Regulation for the Community

Getting On With Business

Vector
The Terrace
Wellington

I want to thank Vector for inviting me to utilise their Winter Lecture Series to announce the detail behind the Budget announcement of the Regulatory Frameworks Review. That announcement identified this Review as an integral part of the Economic Transformation agenda that sits alongside this Labour-led government's commitment to our families – young and old – and to the identity that we share as a nation of proud New Zealanders.

The Prime Minister in her statement to Parliament at the beginning of this year, included a reference to this Review as part of the economic transformation agenda - she said:

"We will also be taking a fresh look at regulatory frameworks. Feedback from business suggests that higher quality regulation would lead to more growth and investment – and we want to engage with business on how to achieve that."

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In that short paragraph the Prime Minister managed to sketch an outline, to which I have added the detail. The outline is in the words – and they are 'fresh look', 'higher quality regulation', 'more growth and investment', 'engage with business' and 'achieve'.

I am excited by this project, because it dovetails perfectly with the work I had already begun in engaging with business on a variety of levels. I think it will become very clear this evening that my enthusiasm to have the two portfolios, Commerce and Small Business, has paid off. That is because when we are looking at regulatory frameworks, the issues are not the same at both ends of town – size does make a difference when you're in business. The bigger you are the greater the economies of scale and scope, which enables you to bring expertise and specialist support closer to the firm.

The same is also true of New Zealand – size does matter – how many of our companies have the scale and scope required for global competitiveness? The question I and others have been asking is where does our potential for growth lie when we know size makes a difference at the level of the firm, at the level of the population, at the level of distance from markets and at the level of a small country competing for attention in a global marketplace?

New Zealand will always be different from large economies by virtue of its size and its distance from its markets. But we don't want our businesses having to compete in tough export markets with one arm tied behind their backs as well. Therefore we in New Zealand need our regulatory frameworks to be leading edge. Fortunately we are already benchmarking extremely well internationally, leading for two years now, World Bank Surveys on ease of doing business.

I said at a conference earlier this year that I didn't want this debate to be limited to what I described as a narrow construct of light versus heavy-handed regulation. I want the debate to focus on the quality of the regulation making process and the quality of the regulatory frameworks themselves. As I said then these may require different approaches to be adopted between or across sectors. I

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therefore prefer to see the debate focusing on principles over rules, flexibility over rigidity and balance over prescription. In other words we need to commit to a high quality debate, which takes into account the context and the need to balance the range of interests affected.

At least we don't have to debate whether or not we need any rules at all. No one I know would want to rely on the invisible hand to direct the flow of traffic if the traffic lights went out. And as for assumptions that work in theory but not in practise, they don't inspire a single business owner I have met.

It is in this context that I am delighted to see that the Business Roundtable is hosting Gary Banks, chair of the Regulation Taskforce and Australian Productivity Commission here in Wellington next week. His report and the interim response of the Australian government, demonstrates the importance of regulation to the economy and to wider society. The Report while accepting that the burden of regulation had to be addressed made it clear that:

"[that] does not mean that [we] should engage in a 'race to the bottom' and abandon worthwhile regulations. There are important economic, social and environmental goals that warrant regulation, and should not be traded off simply to improve business competitiveness."

I took the opportunity of meeting with Gary Banks when I was in Australia earlier this year. Unfortunately it was prior to the release of the Report, however, our discussions were very worthwhile. There are two significant differences between Australia and New Zealand that mean that our priorities will be different.

The first is the lighter hand of regulatory frameworks in New Zealand especially around the workplace (e.g. labour market and occupational safety & health) and financial services sector (which is still work in progress in New Zealand).

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The second is the existence of a series of state and territorial regulatory frameworks, which mean that different rules can apply in different states in Australia. We have challenges here in New Zealand, but nothing of that scale.

The 7 April release of the Report in Australia and the interim response of the Australian government although it occurred well into our work programme, served to confirm that we were absolutely on the right track and I am looking forward to discussing our approach with him when he is here.

As I have said on other occasions, if I could choose any Australian institution and have it transformed into a truly trans-Tasman institution, it would be the Productivity Commission. Given New Zealand and Australia's mutual commitment to a Single Economic Market I think of the synergies that would arise if we investigated together the regulatory frameworks that impacted on both sides of the Tasman rather than going it alone. The Productivity Commission is dispassionate in its regulatory impact analysis and I know that on certain fronts New Zealand's frameworks would be a much better starting place for reform in Australia than the other way round.

It would also be an opportunity to strengthen how we look out to the world. New Zealand and Australia work in unison on many international standard setting bodies – and we are both very well regarded. Our combined efforts can be extremely influential and given that some of our newer markets are developing regulatory frameworks of their own, it is good that we can assist in turning their attention to those international standards. Playing by the same rules does help.

That being said, even with Australia at our side we are very small on the world stage. This means we have to be smart. I made the point recently that if someone was designing New Zealand from scratch, they could not create a more inefficient model for providing the economic and social infrastructure required for just over 4 million people. I know that there are individuals who seek to compare New Zealand with Singapore, which has roughly the same population as New

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Zealand, but (to paraphrase Mike Moore) has the advantage of the landmass of Lake Taupo. I wonder if it is their way of saying sorry for the 1975 decision to scrap a compulsory superannuation scheme, which if it had existed today would have made a significant difference to our economic settings.

However, the point I want to make is that if we are to transform New Zealand's economy and we will, we must start with an appreciation of the reality that is New Zealand today.

The reality that is New Zealand today, includes the fact that 96 per cent of New Zealand firms are classified as SMEs, and in the NZ context this means employing fewer than 20 employees, and that around 85 per cent of them have fewer than five employees. SMEs produce around 40 per cent of total output, which means that 60 per cent of total output is produced by 4 per cent of businesses. The reality is that the vast majority of our businesses simply do not have the economies of scale or scope to absorb the multiple layers of regulatory requirements, and that therefore the transaction and compliance costs of these requirements fall disproportionately on the shoulders of SME owners.

There is also the reality that many small firms do not understand the importance of, or have access to the resources to support, investment in research and development, new technology, advanced technical processes, modernised plant and equipment and innovation-related training for staff. This is a major concern if we are serious about lifting productivity levels, and we are.

At the other end of the scale, but impacting on the whole economy, the infrastructure markets are of particular importance. Telecommunications, electricity and gas all present special challenges for regulatory frameworks and will continue to receive attention as part of our economic transformation agenda. The status of the reviews in these areas sets them apart from the review I am leading, because they have their own developed work programmes already underway. That being said, the response to the announcement on the telecommunications stocktake and the decision to unbundle the local loop has

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been overwhelmingly positive and has been received as signalling the government's determination to ensure that New Zealand businesses can take full advantage of technology to achieve their potential.

I believe that many of the challenges we are confronted with in this framework were essentially posed by a privatisation programme that did not distinguish the public interest in the infrastructure from the private interest in the business; not just in telecommunications, but also in energy, rail and ports (air and sea) and to a lesser extent Air New Zealand, in terms of landing rights at International Airports.

This leads me onto the issue of competition policy, which although not signalled for this speech tonight requires attention in the context of regulatory frameworks and the bigger picture of infrastructure in terms of scale and scope. New Zealand's unique circumstances have specific implications for how we design and implement competition policy. Everyone agrees that the potential economic costs of monopolistic behaviour are great, however, what many are saying (and I am included in that) is that we do need to recognise that our geography, population and relative isolation make some level of industry concentration both inevitable and, in some cases, necessary.

This has led us to develop an approach that is essentially a balancing act, with as much competition as possible, bearing in mind that there may be risks to efficiency in our kind of economy. In framing New Zealand's competition law we have empowered our competition authority to engage in more of a case-by-case assessment than may be the case in larger economies. Our competition law has also moved away from the use of mechanical rules of thumb as indicators of market power.

It is obvious that strict legal rules, which serve a large economy such as the United States, could seriously undermine New Zealand's economy. Even where there is potential for lessening competition, firms here can put a case to show that

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their transactions carry public benefit. But is this enough when New Zealand looks out to the world – hence the question; do our companies have the scale and scope to compete globally? At the same time we have recognised that, in certain markets, some form of tailored regulation is necessary if the market is to sustain effective competition or an effective substitute.

The truth is that the competitive market imposes a discipline on participants – so if government were to take a broader view in this regard, we would need to be asking how we could replicate those disciplines to ensure that the consumer was not essentially paying a tariff for undisciplined behaviour, poor decision-making and inadequate performance.

It is in that context that I acknowledge that various interests have recently raised the appropriateness of the strict application of the Commerce Act 1986 especially in considering the cost and impact of extensive duplication of major infrastructure. If "New Zealand Inc" is to be truly competitive on a global scale then we need to consider whether the strict application of competition policy is inhibiting our capacity in any way.

Fonterra represents a good example of a New Zealand based globally competitive company that would not have passed the initial test without government support. They abide by the rules now, but the government lifted them over the threshold. To me, that is smart government.

It is therefore timely, in the context of this government's determination to take the economic transformation agenda to a new level, to announce the review of both Parts 4 & 5 of the Commerce Act, which relate to controlled goods and services and authorisations and clearances. The review is yet to be formally scoped, but will include consideration of the appropriateness of the existing thresholds.

As part of this process we will also be considering the question of merits review of Commerce Commission decisions. However, I do not wish to raise any particular expectation as to outcome. There is potentially considerable cost and delay

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associated with another layer of review, so I will be looking for evidence of significant public benefit. I was asked the question earlier this year – would merits review be on the table? The answer is yes. But I will be looking closely at the cost-benefit analysis before it goes any further than that.

I would now like to move to the Regulatory Frameworks Review, which I have branded "Getting on With Business". Getting on With Business has two messages; the government is engaging with business in order to get feedback on what's working, what's not and how we fix it; and the government is getting its own house in order, so that business can get on with business. Getting on with Business is about relationships and Getting on with Business is about getting on with the job.

The first point to make is that we have rules for many purposes. We need rules to ensure that there is a focus on workplace health and safety in terms of the workforce and product safety for consumers; there are many quality standards that enable local and international requirements to be met; quality assurance is usually a pre-requisite to publicly funded contracts; environmental sustainability requires the exercise of inter-generational responsibility. Rules can provide comfort that the people we are doing business with can be trusted even though we don't know them personally – industry codes of practice work well in this respect. Look at the growth in our capital markets since the rules were strengthened – takeover rules, insider-trading, securities markets rules – they give confidence to overseas investors.

So as I said before nobody is saying – "rule number 1, there are no rules". There have to be rules. But what business is saying to government is: are they the right rules -- the right rules for the game? And when there are several rules that apply to the different aspects of the game, can they be organised better to improve the flow of the game? And are the referees applying the right rules in the right way and are they even-handed?

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The second point is this - we are not starting from a zero base. New Zealand benchmarks well against any international measure for ease of doing business and in some instances sets the benchmark for others to aspire to. For example, our company registry and our personal property security registers are world-class.

I have been taking soundings from different sectors and endeavouring to make sense of the noise around the myriad of regulatory frameworks that impact on business. My driver when I began this process was to identify barriers to growth, so in that sense I started by looking at the big issues. But what I soon found was that there was no silver bullet – no quick fix and no one-size-fits-all solution. What I discovered was that the stated 'burden' of compliance was more about 'weight' - that it was the cumulative effect of the rules rather than one rule in particular – although most people I spoke to could give a 'straw that almost broke the camel's back' story.

What I also discovered was that, even though the weight was felt more keenly at the small end of town, it was the affect on morale that was universal. And it didn't have to be the people themselves who were affected – someone else's story made the load heavier too. Businesses trying to get sign off from enforcement agencies or regulators, inexorable timeframes for decision-making, fear of appeals, having to involve lawyers ... these all affected people in ways that I hadn't appreciated. One of the barriers to growth I discovered was the sense that "Hey, I am the one risking my life savings here; I'm not even asking the government to help; so why can't the government just get out of my way and let me get on with it?"

This reaction is counter-intuitive when contrasted to the World Bank "Doing Business" survey I mentioned before. I became determined to get beneath these statistics. And that is why tonight's announcement is not about a single review, but rather a multi-layered approach with both breadth and depth that involves a whole-of-government Taskforce with real clout and a commitment to cutting to the chase – this is an action review – you find it; we fix it - together.

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I don't want to over-state what we will achieve, but I don't want to under-state it either.

The Quality Regulations Taskforce led by Peter Mumford from the Ministry of Economic Development will make an enormous difference because its focus is practical and it is focused on achieving results. The Taskforce has been given a comprehensive terms of reference to drive an ambitious and in depth programme of action across government in partnership with business every step of the way. The Deputy Secretary of the Ministry has already written to the relevant CEOs and the Quality Regulations Taskforce meets for the first time next week. Peter Mumford will report to me on a weekly basis and will report to the high-level Ministerial group that I chair on a six-weekly basis. We have established strict timelines for reporting to Cabinet – namely the end of October, the end of March and the end of July next year.

And local government is part of the partnership too – they regulate and are regulated – sometimes they are required to regulate by central government and then they say: how did that happen? And then they have to consult too, but it doesn't always feel joined up. For example, an operator cannot have a gaming machine licence without a liquor licence; local government has a role in issuing liquor licences and a role in consulting the community on gaming machine licences; so why cannot the processes be joined up – do we even need two licences even though they are issued by different bodies – could a gaming licence (where it was granted by Internal Affairs) become a condition attached to the liquor licence issued by the Council? I don't know the answer to that, but if there isn't a good enough reason, why shouldn't we look at streamlining the process? We need to cast a practical eye over what we in central government require of local government so we both work better for business and the community.

What I am saying is that isn't this a better way of approaching the task? Ask not what someone else can do for the government, but ask what the government can

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do better itself for business and for the community. The goal for me is that government gets out of the way of business as much as we can, but we keep the rules up-to-date and well-communicated; we keep an eye on progress, offering signposts or roadmaps along the way; and we let people know if they are signalling a wrong turn, and if they turn off anyway, we pull them up and get them on the right track again - preferably before they have gone too far down the wrong track.

I will know we have achieved success when there is a common understanding between government and the business community that the regulatory frameworks are necessary and appropriate and confidence that the enforcement strategy is appropriate. As Michael Cullen said last week we are committed to a regulatory environment that promotes economic growth, business confidence, globally competitive companies and social wellbeing.

So what does that mean? It means that we have to confirm that the objectives are met by the legal framework; in other words that it is 'fit for purpose' in that the nature and level of intervention meets the tests of proportionality, clarity, consistency, transparency, effectiveness and equity.

These tests are internationally accepted principles of high quality regulation and this government is one hundred per cent committed to ensuring that they are met.

We need to ask whether the framework itself needs to be flexible to cater for the different characteristics of businesses within the framework. The question here is whether we should allow for differing levels of application depending on the nature of the risk. Or should the rules be the same, but some of the cost of compliance be met by government on a public benefit test?

And then we need to look at the enforcement end – how are the enforcement agencies or regulators behaving? Is their behaviour focused on the objectives and again is it proportionate? What is the likelihood of non-compliance and what

are the consequences? It may be that deterrence requires a high risk of getting caught and a significant consequence in order to change behaviour.

There is also the question though whether government and the regulators have become too risk averse. It seems to me that if anything goes wrong these days the first port of call to lay the blame is the government or the regulator. In Australia the Regulation Taskforce said:

“the risk aversion exhibited by regulators, which business groups rightly see as a root cause of many of the problems they experience, is to be expected in an environment where any adverse event within the regulator’s field of influence is held up publicly as a ‘failure’, while any beneficial impacts on market performance that a regulator may have are not directly observable and go unremarked. Hence the incentives facing most regulators are to err on the side of being strict in their enforcement activities.”

Sometimes we are afraid as Ministers to take risks – I cannot imagine going to meeting of business people and saying 'stop taking risks'. Maybe business needs to cut government a bit of slack when the regulatory role is transferred to business. Regulatory frameworks and the level of government involvement can be viewed along a spectrum, from self or industry-led at one end to a tightly controlled legislative framework at the other. The government can step back and allow particular businesses to self-regulate, but it means that we need to be able to share the risk.

A recent example of this was in 2002 when the government allowed trusted employers to essentially self-regulate work permits, in the sensitive area of immigration, with the development of accredited employer status and the Talent Visa – once the employer had met a good employer standard and was prepared to meet the salary threshold, the public interest only required a health and

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character test to be carried out by government. But if there is a business that abuses the process and someone slips through the net, blaming the government won't help. It will just create risk aversion and we stop being innovative.

Political insurance operates no differently than any other form of insurance. Risk and consequences will always affect behaviour.

In the area of capital markets, we are seeing the co-regulatory model work. Critics said it wouldn't work, and I again want to publicly congratulate those who are making it work – Jane Diplock, Chair of the Securities Commission, Simon Allen, Chair of NZX and Mark Weldon, Chief Executive of NZX. There are people who knock our tall poppies, but you won't see me doing it – where would New Zealand's capital markets be without them?

The Review will seek to assess whether, in particular frameworks, there are net gains to be made through moving along the spectrum towards self-regulatory models.

Reflecting the concerns we are hearing from businesses, we will also be looking with keen attention at the interaction between regulatory frameworks.

The kind of question the Taskforce will ask is why, when an employer is an accredited employer for ACC they do not meet the requirements of the Health & Safety in Employment and/or HSNO regimes. Can we in government apply our collective will to solving this problem created by funding silos by finding ways of mutual compliance requirements – making compliance with one, automatic compliance with the other [or at the least co-ordinating compliance activities such as inspections] – how hard could that be?

I have heard of health services having to go through two audits within a matter of weeks – one for their accreditation and the next as an accountability mechanism for their DHB or Ministry of Health funding? Why are they not combined? How hard could that be?

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What about the changes to the Building Act and Code and the new rules on regulating the building professionals and the products; how does that link in with existing district planning processes, building consents and inspections? Are we being too hard on builders being required to adhere to strict compliance with permits, not to protect the building owner but to protect the inspector or the regulator? Can it be streamlined? How hard could that be? Some lateral thinking across the frameworks is required and that is what we are committing to.

We are allowing for a SME lens to be applied to this Review as well. How is it different for a small business? They may prefer clear rules that require no explanation. The bigger companies tend to prefer to be more principle focused rather than being forced to follow prescriptive rules. Can we therefore design frameworks that offer the best of both approaches? In other words, can we offer certainty to those who desire it, perhaps through “safe harbour” or deemed-to-comply provisions; and flexibility to businesses who would rather derive their own compliance solution to suit their particular circumstances?

And what about all the information we demand of business? I spend a lot of time talking about joined up government, so why is that the many of arms of government cannot extend a single hand to business to obtain all of the information they need? That's a question that will be answered early on in the review.

So this is the horizontal part of the review. If the interests that need to be protected are in fact protected, and the information that is needed to be gathered is gathered, does it matter that there is a choice in how that is achieved? Why shouldn't one take the high road, and the other take the low road if the same destination can be reached?

Another question we will be asking is do the regulatory impacts of multiple regimes within sectors make a difference? To test this, I am also announcing that we will be conducting sector reviews.

One of the features of this aspect of the Review will be getting alongside business and looking up at the level of compliance bearing down on them and again seeing if we in government could do better. Sectors will be invited to the table with the concerns that they have, together with the solutions they propose, (we are in this together). The Taskforce will assign an independent adviser for each sector who will ensure that there will be access to senior officials from the agencies concerned who can respond to those proposals and commit to the policy work required to either analyse the proposal further or to implement the proposal.

The first sectors that will be part of this review are the Food and Beverage Sector, the Wine Industry, the Retail Sector and the Hospitality Sector. I am thrilled and I want to thank these sectors for being ready and willing to come to the table. Each of the sectors has a complete overview of the myriad of regulatory frameworks that apply to their sector, and are ready to work on solutions. Some of the sectors overlap with each other too.

The hospitality sector has already identified that there are three sets of rules that coincide on Easter weekend – the Holidays Act, the Shop Trading Hours Act and the Sale of Liquor Act – the rules are not the same – for example Easter Sunday is affected by both the Shop Trading and Sale of Liquor laws but is not a statutory holiday so unaffected by the Holidays Act. The reverse is true of Easter Monday. Their point is that there is a compliance cost in the inconsistency between the rules.

The reason I am particularly happy with having the Food and Beverage Sector on board is that it has a Taskforce which is already established and which is working well. But its real strength is that it has enabled engagement across the different parts of the sector including the representative voice of the workforce. When we

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are looking at some of the regulatory frameworks the voice of the workforce has to be in the frame, because often it is their interests that are being protected. That is why the excellent relationship that exists between the Minister of Labour, Business New Zealand and the Council of Trade Unions is so crucial.

When I have discussed this multi-layered action review it is the next component that draws out the stories. I decided early on that we needed a 'fast track' mechanism for implementing quick fixes where problems were identified and solutions agreed. I know only too well from my 5.3 out of 10 score from the Small Business Advisory Group on our response to their first report that the wheels of government move too slowly for busy people who are in a hurry – that describes SMEs very well – but also describes me. I am impatient to address those small things that make a big difference. And that is why the Small Business Advisory Group is in the mix too. I have already asked the relevant Ministers to report to me on the Advisory Group's second report (and to update me on progress on the first) by the 30th June. Anything that can be, will be transferred to the Taskforce and will be assigned the appropriate track – much of it will be fast-track.

Everyone knows a story. But what I have found is that sometimes the story is out of date. One of the people I spoke to said to me "It's like paying the excise tax to Customs by cheque." It is not like me to be lost for words, but the only ones I could find were 'you are joking'. But he wasn't. But when I raised it with Customs, they tell me that 90 per cent of the \$8 billion in revenue Customs collects on behalf of the Crown is paid by direct debit or credit. They tell me that 40 per cent of companies do not use one of the more modern payment methods on offer despite the fact that Customs wants them to. So it may be that the reason that many wine makers write out a cheque is that they haven't worked out or felt comfortable with on-line transactions. Anyway it's a question I want an answer to because I think there is a win-win to be had in finding out why that is the case and problem-solving with those who are affected.

What this has taught me is that it is government's job to make sure that the information is up-to-date and well-communicated to those who need to know the rules. How can a business follow the rules if they don't know what they are?

There are plenty of examples that are being lined up for the fast-track. Some of the rules don't even get in front of the Cabinet – it's our job to think about the big picture. We think macro, not micro. But how irritating is it for a major casino to find that a roulette wheel that spins electronically as opposed to having the wheel physically spun by a person falls under a different set of gaming rules? And what about traffic rules? What if you are the one that didn't hear the announcement that the tolerance on speed over the 50km limit outside schools is only 5km per hour not 10km per hour as it is everywhere else?

What about the manufacturer that meets New Zealand's energy efficiency standards, not just because they have to, but also because they want to, and then they walk into a store and see a non-compliant machine that has been imported into New Zealand and it has slipped through the net? I don't have an immediate answer to this problem, but I am determined to find it, because it really matters.

So gaming rules, traffic rules, enforcement of standards – they are all on the work programme. We are looking for practical solutions.

Much of what we find won't need Parliament or the Executive's intervention, but not all solutions will fall into this category, so I have asked my officials to work with the Law Commission and the Legislation Advisory Committee to develop regulatory and statutory tools to enable us to fix things that do require that level of intervention in the fastest possible way.

In the UK they have Regulatory Reform Orders, so I have asked them to look at those and report to me by the end of June this year, and I have also already written to the Speaker about expanding the availability of Omnibus Bills along the

lines of the Business Law Reform Bill. It is on the agenda of the next Standing Orders Committee meeting.

So how do people let us know that they have a problem and they just might have a solution? My request is that the membership and representative organisations play a role – Business NZ, Chambers, EMAs, CTU, EDAs, sector taskforces, NZX – it doesn't matter where you go – all roads lead to Rome. We have updated the business consultation website (www.businessconsultation.govt.nz) so that problems and solutions can be directly logged with government. You can also email qualityrules@med.govt.nz.

My challenge to you is to package the proposals in a way that enables the Taskforce to assess and analyse them for priority action. I don't want to incentivise easy-fixes over something that would take a bit more time but that would produce a far greater benefit. But then again I have a message that is it doesn't matter how small it seems, let me know – sometimes it is the small things that make a big difference.

I am demanding a lot of discipline of business in embarking on this ambitious programme; I am not listening to the mantras – just the things that matter to business, but there is a quid pro quo. We in government are committed to lifting our game going forward. We will ensure that what we do is the best that we can do, so that the interests we seek to protect are protected at the same time as encouraging business to grow. Getting on with Business means future-proofing the process.

The Small Business Advisory Group has highlighted its disappointment with the quality of many of the Regulatory Impact Statements that accompany Cabinet papers. I regret to say that I share their disappointment. I think the problem arises when the regulatory impacts of a proposal are not considered until the end of the process; that's when the Cabinet paper is ready and the Regulatory Impact Statement is added on. I can spot them now. I can also tell when the Regulatory

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Impact Statement arises naturally from the paper, because the paper itself is imbued with the results of a rigorous and robust regulatory impact analysis. I can point to the Telecommunications Cabinet Paper, now that it is in the public domain.

That is the way all Regulatory Impact Statements should look – they should reflect the analysis, integrated, as it ought to be, into the policy development process.

Finally the government is committing to properly identifying the cost of compliance as recommended by the Small Business Advisory Group. As part of this process government departments will be adopting the Australian Business Cost Calculator for measuring business compliance costs and will test its validity in the New Zealand environment by evaluating its effectiveness over two years.

And I will be considering the value of establishing a standalone group comprising business representatives, unions, academics and government officials to look specifically at the cost of compliance on business, including the cumulative cost.

Although I am not pre-determining my position, I think there is value in having such a group because it could also be tasked with identifying possible means to minimise the costs and simplify the compliance obligations for business into the future. Adding the discipline of academia and the voice of the workforce to what the Small Business Advisory Group already offers can only improve the quality of advice available to government.

So that's the framework – it's horizontal; it's vertical; it's fast-track; it's in-depth – in other words it's dynamic. And most importantly, it is achievable because of the level of commitment we have from business and that is matched by the commitment the government is making to you.

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Nothing of this magnitude has been attempted before, but this is a government with an appetite for addressing these concerns and working with business to find the solutions.

As the Prime Minister said, its government taking a fresh look at regulatory frameworks with business to achieve higher quality regulation leading to more growth and investment – it really is part of the economic transformation agenda.

In closing I am feeling very energised by the potential of the task we have ahead of us. Tony Blair when he was here reminded us that it is easy to forget how we are seen from the outside – he said New Zealand is seen as 'exciting and dynamic'. As I have travelled around the country visiting businesses I can confirm that what he says is true – we are. But in that perspective there lies the challenge; and that is to apply that sense of dynamism to all that we do as government, as business and community leaders, as representatives of small business and the workforce – we are in it together. Let's get on with it.