

OVER-REGULATION STRANGLES MUCH CHANCE OF SUCCESS

By Alan Moran

HERALD SUN, 1 APRIL 2016

Everyone, other than deep greens and Marxists, considers that business regulation at current levels brings far greater costs than benefits.

Governments since the 1980s have tried to tackle over-regulation.

Victoria and the Commonwealth have robust regulatory control mechanisms. But politically their administration has been fitful. There are so many interest groups for politicians to placate that we seldom achieve net deregulatory outcomes.

For the average business the most obvious costs of regulation are in tying themselves up in endless paperwork. But the most important costs involve loss of business opportunities.

Trade specialist Alan Oxley has recently addressed regulations under the Illegal Logging Prohibition Act. Now, nobody could be against illegal logging or, indeed, illegal anything. There is, in fact, no record of illegally logged timber ever entering Australia but the Act forces timber importers to ensure that none of their supplies are sourced from unauthorised fellings. As timber goes through many hands before reaching the retailer, the regulation involves importers in extensive and costly efforts to certify the product is legal. The Commonwealth Department of Agriculture has a guide but at 600 pages long it's not too helpful!

Forcing firms to do other than examine product quality and price before making a sourcing decision seriously damages efficient business practice. Of course, the logging regulation has its supporters. Among these are domestic paper producers and unions both of whom want to see less import competition. And there are the green groups led by the World Wildlife Fund (WWF), which wish to limit all forestry globally. WWF funds some of its activism through payments from firms in return for verifying that their imports are legal.

The cost of all this eventually falls on the consumer.

Activists are dominant in creating business regulatory costs across the economy.

Among these costs are the various green energy measures on renewables and standards. These will increase Australian wholesale electricity prices by 50 per cent. The UK is even more unfortunate as similar laws more than double electricity prices. Consequently its steel industry is about to move to India.

And, as if the energy industry did not have enough problems with collapsing world price, a coalition of greens and landowners is prevailing upon spineless New South Wales and Victorian politicians to prevent new mines and gas developments from getting underway. This activity strikes at the very heart of the Australian economy. For, despite all the government hype about "the innovation economy" and the "ideas boom", mining together with agriculture is the bedrock on which our living standards depend.

Regulatory zeal can also backfire against the very goals it promotes. A case in point is that fostered by health advocates to require "plain packaging" and similar regulatory measures on tobacco. By undermining the value of brands, this has led many customers to regard cigarettes as a commodity and opt for cheaper smokes including illicit ones. The cheaper prices have the perverse effects of actually bringing about increased smoking rates, while illicit tobacco also reduces government revenue. The Greens are now calling for "plain packaging" for toys!

Vested interests and militants are powerful because few people consider it worthwhile to engage in political processes that don't directly affect them. We need to find ways of rebalancing regulatory measures to avoid harming overall community interests.

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