

## Business NZ recommendations to incoming Government: Regulation

Too many laws, and too many of low quality, are a concern for business. Simply understanding new legislation let alone complying with it is an increasing challenge for business, especially small business.

A number of forces are driving the excessive amount of legislation and regulation, including increased risk aversion - with legislation seen as an easy way to protect against physical or financial risk - and the pressure on governments and political parties to be seen to be 'doing something' in response to current issues, exacerbated by the MMP system that encourages parties to focus on smaller constituencies and interest groups that sometimes wish to promote regulations for relatively narrow interests.

Regulations are easily imposed, but once in place are hard to get rid of and the consequence is high compliance costs.

The annual Business NZ-KPMG Compliance Cost survey shows that compliance costs on businesses are not diminishing. The average large business faces compliance costs around \$1,000 per employee per year while the average small business faces compliance costs above \$3,000 per employee per year.

The big compliance issues for business have not changed much in the six years since the survey's inception. The table below shows the highest scores for the top 5 combined priorities, with tax and employment-related law the largest sources of red tape.

Top 5 Compliance Cost Priorities (2003-2007)

Combined Priority	Tax	HSE	ERA	ACC	Holidays
2008	70.1%	29.8%	32.3%	34.0%	21.1%
2007	69.6%	33.5%	31.2%	32.8%	28.8%
2006	72.9%	35.4%	36.5%	36.1%	24.9%
2005	73.6%	37.1%	37.8%	31.9%	28.0%
2004	63.1%	47.6%	40.5%	41.1%	39.7%
2003	60.8%	64.9%	47.6%	38.7%	15.9%

Recommendations for change include an overarching 'Regulatory Responsibility' Act requiring better impact analysis of proposed legislation, and an independent body to scrutinise and review legislation on an ongoing basis. Stronger accountability by the Commerce Commission and other regulatory bodies, including a formal merits review process with right of appeal against regulatory decisions would be of assistance. More use of education, self-regulation and light-handed regulation where appropriate could usefully replace the current over-reliance on imposed regulation.

## **Business NZ recommendations:**

1. Introduce a Regulatory Responsibility Act that requires adherence to a set of principles to achieve discipline in regulation-making including firmer requirements for regulatory and compliance cost impact analysis
2. Establish an independent gatekeeper body to take responsibility for the ongoing review of proposed regulations and existing regulations identified as problematic, similar to the Australian Productivity Commission. Proposed regulation scrutinised by this department could be rejected for further work if it fails to meet particular standards, such as the comprehensiveness of the regulatory impact and business compliance cost statements
3. Investigate methods for achieving stronger accountability by the Commerce Commission and other regulatory bodies, including placing a high priority on a formal merits review process of Commission decisions with right of appeal
4. Set guidelines requiring the exploration of possible self-regulation and light-handed regulation options prior to the drafting of legislation and associated regulations

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