



*B u s i n e s s V i t a l i t y*

**New Zealand Chambers of Commerce (Inc)**

**Submission to the Commerce Committee**

**Regulatory Responsibility Bill**

**August 2007**

**DRAFT**

**Introduction**

The New Zealand Chambers of Commerce (Inc), NZCCI, is an umbrella organisation serving the interests of 34 Chambers of Commerce nationwide. These, in turn, represent over 24,000 businesses around the country. While many of our members are in the SME category our membership includes most of the largest corporations in New Zealand.

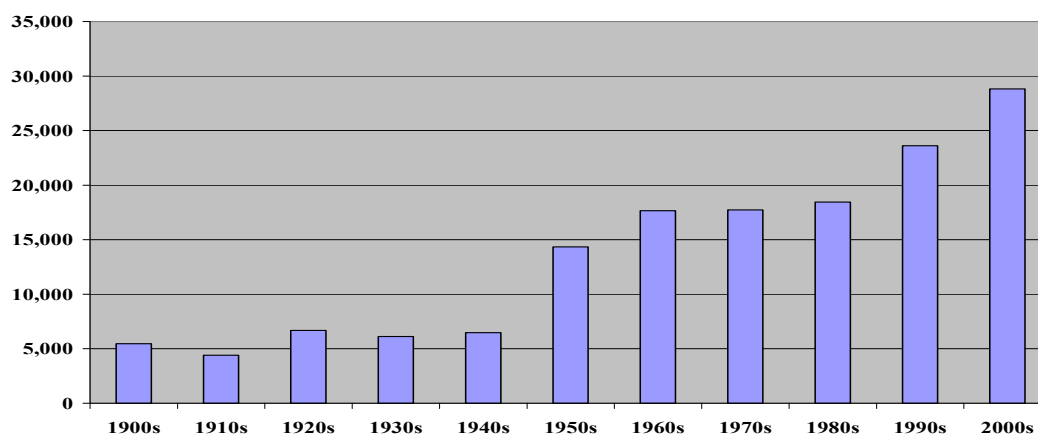
NZCCI is pleased to be able to make this submission on the Regulatory Responsibility Bill (the Bill). NZCCI supports the Bill which aims to improve the quality of parliamentary laws and regulations.

**Regulation Poses Costs**

NZCCI is concerned that not only is New Zealand business over regulated but that too much regulation is of poor quality posing significant costs on the economy.

The following chart (taken from Public Policy – An Introduction, published by the New Zealand Business Roundtable and sourced from the Parliamentary Library, shows how the amount of legislation affecting New Zealand business households and consumers has grown.

**Number of Pages of New Primary Legislation by Decade  
1900s to 2000s**



Much of this is enacted by politicians feeling under pressure to respond to and fix perceived problems. However is doubtful that new legislation is always the best response with much of it causing new unintended consequences which often invites further legislation to address.

### **Regulatory Responsibility**

This Bill aims to ensure there are no undesirable side effects of laws and regulations by enhancing the degree of scrutiny they get. Requiring government agencies to produce a statement about any new legislation that comments on how well it complies with certain “principles of regulatory management” before it is considered by Parliament is a major feature of the Bill.

Currently, in the legislative process, there exist informal administrative requirements for government agencies to attach regulatory impact statements (RISs) to official discussion documents and government bills. These statements are designed to ensure that the full impact of regulation is considered and that the quality of legislation is enhanced.

Unfortunately, the rules are not being adhered to in that these statements are often not provided and where they are, they are often superficial - not meeting their required objective. This means legislation is introduced to Parliament often without sufficient consideration as to whether:

- it is justified as the best course of action, or
- what its full impact might be.

The principles of responsible regulatory management are longstanding principles reflected in the guidelines contained within the RIS's and elsewhere. Giving them statutory authority will ensure that they are adhered to.

Applying the principles of responsible regulatory management is important to ensure that government agencies carefully consider whether the regulations they are proposing will serve the public interest before they are introduced. It would also make the effects of a regulation more transparent making it easier for Parliament to decline ill justified regulatory pressures.

One criticism of the Bill is that it will impose additional administrative costs on government departments. However this will not be the case if they are already doing what they should be and rigorously considering whether the proposed regulations will serve the public interest.

### **Regulatory Costs**

We note that some discussions of the Bill in the media and in Parliament refer to the Bill as an anti-red tape Bill - implying that the regulatory costs this Bill is aiming to address relate to business compliance costs only.

It should be noted that the costs to business - and the economy in general - associated with regulation are widespread and much broader than the time and administrative costs to business of complying with the regulation. Compliance costs are only a small component of regulatory costs. Bad regulation creates major costs to the economy in the form of resource misallocation and disincentives to produce. It is these the Bill should aim to address.

Notwithstanding this, compliance costs associated with most regulations are still an important issue having a disproportionate impact on small to medium enterprises (of which, a large proportion of our members are.)

Many of the chambers around the country regularly survey businesses asking them to list issues of concern. Issues relating to the regulatory environment are consistently near the top of the list. As a result of this, late last year the Wellington Regional Chamber of Commerce surveyed its members asking them to nominate the three pieces of regulation they found the most onerous.

Issues relating to taxation were easily cited the most often with 62% of respondents nominating taxation as one of the most onerous pieces of regulation. This was followed by Employment Relations listed by 33% of respondents. OSH was third with 29%, followed by the Resource Management Act (15.5%), the Holidays Act (14%) and ACC (8.6%).

Other issues raised in the survey include Local Government, Statistics New Zealand forms, Earthquake strengthening requirements, Companies Office requirements Immigration (too difficult to bring migrants in) Financial Reporting, MAF Biosecurity, (forthcoming) Kiwisaver compliance costs, vehicle standards, the Building Act, and the Food Safety Authority.

This list shows the scope and breadth of the issue. It is the unintended costs of legislation similar or relating to these issues which we hope the Bill can address.

## **Conclusion**

NZCCI supports the Regulatory Responsibility Bill. It will complement the 1994 Fiscal Responsibility Act, (now part of the Public Finance Act) in improving the transparency and quality of economic policy in New Zealand.