

# Submission to the inquiry on reducing barriers to business dynamism in Australia

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The views expressed in this submission are solely those of the author and should not be taken to represent the views of any organisation with which the author is affiliated.

## 1. Introduction

I welcome the opportunity to contribute to the Productivity Commission's inquiry into barriers to business dynamism in Australia.

A dynamic economy depends not only on competition and entrepreneurship, but also on regulatory frameworks that allow new products, services and business models to enter markets efficiently. While regulation plays an essential role in protecting safety, consumers and the environment, poorly designed regulatory systems can impose unnecessary costs, delay innovation and reduce productivity.

One of the most significant and underappreciated barriers to business dynamism in Australia is the way governments develop, adopt and administer regulatory standards.

Regulatory standards are standards that are incorporated into, referenced by, or otherwise used to support regulation and regulatory decision-making. They specify technical requirements, performance criteria, testing methods or conformity assessment procedures that businesses must satisfy, either directly or indirectly, to comply with regulatory obligations.

These standards are typically developed by specialised standards-development organisations rather than governments themselves. They may originate from international bodies such as the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), overseas standards organisations, or domestic standards bodies such as Standards Australia. Governments and regulators then determine whether, and how, those standards are incorporated into regulatory frameworks.

Regulatory standards influence virtually every sector of the economy, affecting construction, manufacturing, energy, transport, telecommunications, health, digital technologies and professional services. When standards are fragmented across jurisdictions, inconsistently applied, slow to update, or unnecessarily diverge from trusted international standards, they become barriers to business entry, expansion and innovation.

These issues were examined in my report to the Australian Treasury, *Best-Practice Regulatory Principles for the Adoption of Standards* (2025), prepared for the Australia-New Zealand Climate and Finance Ministerial Dialogue.<sup>1</sup> The report identified significant opportunities to improve productivity, reduce compliance costs and accelerate innovation through reforms to Australia's standards and regulatory systems.

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<sup>1</sup> Available at <https://treasury.gov.au/sites/default/files/2025-09/p2025-695993.pdf>. See also <https://inflectionpoints.work/articles/a-higher-standard-for-standards> and <https://theconversation.com/from-batteries-to-ev-chargers-australia-and-nz-need-these-3-fixes-to-hit-net-zero-at-less-cost-265197>.

This submission does not seek to revisit that analysis in detail. Rather, it highlights a number of the report's key findings and recommendations that are particularly relevant to business dynamism and productivity growth.

## 2. Standards as a Productivity and Business Dynamism Issue

Standards are an important but often overlooked component of the regulatory environment facing businesses. They influence the costs of entering markets, expanding operations, adopting new technologies and participating in domestic and international supply chains.

Well-designed standards can reduce transaction costs, facilitate interoperability, improve consumer confidence and support competition. Conversely, poorly designed standards can create barriers to entry, impede innovation and increase compliance costs.

These effects are particularly important for new and fast-growing firms, small and medium-sized enterprises, businesses seeking to operate across multiple jurisdictions, and firms introducing innovative technologies. Such businesses typically have fewer resources to navigate complex regulatory requirements and are therefore disproportionately affected by regulatory inefficiencies.

Standards are also becoming increasingly important in sectors associated with the energy transition and digital transformation, where technological change is rapid and interoperability across products, systems and jurisdictions is critical.

## 3. Remaining Challenges Despite Recent Progress

Recent government initiatives have moved in a positive direction. In particular, reforms to improve access to mandated standards and broader commitments to National Competition Policy reform are welcome developments. They are consistent with recommendations contained in my Treasury report. However, substantial barriers remain.

Businesses continue to face inconsistent regulatory requirements across Commonwealth, State and Territory governments. While individual differences may appear minor, their cumulative effect can be significant. Businesses operating nationally frequently encounter multiple approval pathways, duplicated reporting requirements and inconsistent compliance obligations.

Australia also seems to adopt international standards more slowly than many comparable jurisdictions. Delays in recognising and incorporating trusted international standards can slow the commercialisation of new technologies, increase regulatory uncertainty and discourage investment. The process for updating standards incorporated into regulation can also be lengthy, creating a risk that regulatory requirements lag technological developments and international best practice.

A related challenge is the limited coordination between regulators. Businesses often face overlapping requirements from multiple regulators pursuing related objectives through different processes. Greater coordination would reduce duplication, improve consistency and lower compliance costs. It would also help ensure that standards policy supports broader objectives relating to productivity, innovation and economic growth.

Addressing these challenges requires a stronger commitment to regulatory harmonisation, greater use of mutual-recognition arrangements, more timely adoption of trusted international standards, and improved coordination across governments and regulatory agencies. While progress has been made, there remains considerable scope to reduce regulatory barriers that unnecessarily impede business entry, expansion and innovation.

#### 4. Recommended Reform Roadmap

My Treasury report made a number of recommendations regarding the adoption and governance of standards. In the context of this inquiry, I highlight six priorities that would make a meaningful contribution to reducing barriers to business dynamism. Full details are available in my report.

First, governments should enforce the presumption that trusted international standards will be adopted unless there is a compelling public-interest justification for divergence. This is consistent with our international obligations, would reduce compliance costs, facilitate market entry and improve access to international supply chains.

Second, the Commonwealth, States and Territories should strengthen coordination in the adoption and implementation of standards. Existing mechanisms should be used more effectively and supplemented where necessary to reduce regulatory fragmentation and improve consistency across jurisdictions.

Third, regulators should improve transparency around standards adoption. Decisions to adopt, modify or reject international standards should be publicly explained, and implementation timelines should be published. Greater transparency would improve accountability and provide businesses with greater certainty.

Fourth, governments should expand mutual-recognition arrangements. Where regulatory objectives are substantially equivalent, approvals, certifications and conformity assessments issued in one jurisdiction should be recognised elsewhere. This would reduce duplication and make it easier for firms to expand across Australia.

Fifth, governments should develop systematic approaches to measuring regulatory burden, including the burden generated by complying with regulatory standards. Better measurement

of cumulative compliance costs would help identify areas where regulatory requirements are unnecessarily constraining business entry, expansion and innovation.

Finally, governments should strengthen regulatory stewardship arrangements. Regulators should not view their role as ending once standards have been incorporated into regulation. Rather, they should have an ongoing responsibility to monitor whether regulatory requirements remain fit for purpose, consistent with policy objectives, and aligned with developments in technology, markets and international best practice.

Effective regulatory stewardship requires regulators to periodically review standards incorporated into regulation, identify unnecessary duplication and inconsistencies, monitor the cumulative burden imposed on businesses, and ensure that standards evolve in response to technological and market developments. It also requires greater coordination across jurisdictions and regulators to minimise fragmentation and facilitate the efficient adoption of trusted international standards.

Taken together, these reforms would reduce regulatory complexity, improve consistency across jurisdictions and strengthen regulatory stewardship. In doing so, they would help create a regulatory environment that is more supportive of business entry, expansion, innovation and productivity growth.

## 5. Conclusion

Australia's productivity challenge cannot be addressed solely through competition policy, tax reform or infrastructure investment. The quality of our regulatory institutions also matters.

Standards are often viewed as technical instruments, yet they have profound implications for business entry, expansion, innovation and investment. When standards are fragmented across jurisdictions, slow to adapt to technological change, or unnecessarily diverge from trusted international approaches, they impose costs that fall disproportionately on new and growing businesses.

The Australian Government has already taken some positive steps, including improving access to mandated standards and recommitting to a broader productivity reform agenda. However, significant opportunities remain to reduce regulatory duplication, improve coordination across jurisdictions and modernise Australia's approach to standards adoption.

The Productivity Commission has a long history of identifying reforms that enhance competition, productivity and economic flexibility. Standards reform should be viewed through the same lens. A more coherent, transparent and internationally aligned standards framework would lower barriers to business dynamism, accelerate innovation and strengthen Australia's international competitiveness.

In short, standards are not merely part of the regulatory system; they are part of the economic infrastructure that shapes how efficiently ideas, technologies and businesses move through the economy. Getting them right is therefore an important component of any serious reform agenda that aims to promote business dynamism.