Australian Government
Department of Finance

Department of Finance

Submission to the Productivity Commission

Creating a more dynamic and resilient economy – interim report

September 2025

Introduction

The Department of Finance (Finance) welcomes the opportunity to make a submission on the Productivity Commission's *Creating a more dynamic and resilient economy – interim report* (the Report). This submission emphasises our commitment to stewarding a regulatory environment that supports innovation, enhances efficiency, improves productivity, and strengthens Australia's economic adaptability in the face of current and emerging challenges.

The Australian economy is exposed to structural shifts in global trade, climate change, technological advances, cyber threats and geopolitical tensions. These forces are disrupting not only *what* governments and regulators regulate, but *how* they regulate. Regulation, alongside government spending and taxation, is a critical lever for shaping economic outcomes and responding to emerging challenges. The efficacy and efficiency of regulations and regulators play an important role in managing risks while promoting investment and broader capital deepening across the economy. Balanced, sustainable regulatory reform assists in maintaining investor confidence and protecting the public interest in the context of changing circumstances. In an increasingly complex and interconnected environment, regulation plays a role in managing risk, enabling innovation, and ensuring protections for Australians in areas such as health, safety, and the environment. This is reinforced by a growing appetite across government and the community for regulatory action that is both responsive and enduring.

The Government's regulatory reform agenda focuses on continuous improvement and modernisation, ensuring risks are appropriately shared across the economy. The *Regulatory Policy, Practice and Performance Framework* (RPPPF)[1] supports fit-for-purpose regulation that is risk-based, proportionate, and responsive to change. The reform agenda includes:

- driving regulator performance
- removing unnecessary barriers and modernising regulation through targeted reform projects and omnibus legislative packages
- supporting the uptake of digital technologies to streamline regulatory processes and reduce the regulatory burden on individuals and businesses.

This approach avoids the pendulum swing between overregulation and deregulation, instead fostering an environment where reform is continuous, deliberate, and evidence-based. We are starting to see the benefits of this approach, as key foundations of the regulatory reform agenda are now in place. Examples include enhanced collaboration via the Regulator Leadership Cohort,[2] and streamlined systems through digitisation, legislative reform, and support for adoption of suitable international and overseas standards.

These efforts provide a strong foundation for Finance's continued contribution to a regulatory system that is adaptive, proportionate, and capable of supporting Australia's long-term productivity and economic resilience.

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[1] https://www.regulatoryreform.gov.au/sites/default/files/Regulatory-Policy-Practice-and-Performance-Framework.pdf
[2] https://www.regulatoryreform.gov.au/priorities/regulator-leadership-cohort

Finance's role

Finance is the Australian Government lead on regulatory policy, practice and performance[3] and provides a holistic and coordinated approach to regulatory reform. Finance supports efficient, adaptable, and proportionate regulation across the regulatory lifecycle through principles-based advice to Government, guidance to regulators, and targeted reform projects – enabling innovation, evolution, and effective competition. Ongoing efforts to modernise the regulatory landscape strive to create the conditions necessary for sustained economic productivity and growth.

Regulatory reform is a responsibility shared across all Government agencies. While Finance leads whole-of-system reform and drives cross-portfolio initiatives, individual portfolios are responsible for reforming their own regulatory systems to ensure they remain fit-for-purpose. This approach recognises the diversity of regulatory functions across government and enables tailored reforms that reflect the specific needs, risks, and priorities of each sector.

Regulatory policy, practice and performance

The RPPPF guides policymakers and regulators to apply six principles for effective regulation: targeted and risk-based, system-integrated, user-centred, evidence-driven, digitally adaptive, and continuous improvement. Finance is developing tools to support agencies to implement the RPPPF, including an enterprise level regulator maturity model and guidance on regulatory governance. The RPPPF enables regulators and policymakers to balance compliance with flexibility, allowing businesses to operate efficiently while adhering to necessary regulations.

Finance, together with the Department of the Prime Minister & Cabinet's (PM&C) Office of Impact Analysis (OIA), plays a critical role in supporting government decision-making across the regulatory lifecycle – beginning with policy development and the question of whether to intervene. This is informed by Impact Analysis and advice to Government on the expected costs, benefits, and alternatives to regulation. There is an opportunity to strengthen this role by deepening consideration of cumulative burden and overall value of regulation across sectors.

Finance also provides guidance and support through *Resource Management Guide 128: Regulator Performance* (RMG 128)[4] which assists Commonwealth entities that perform regulatory functions, including both standalone regulators and those located within policy departments, to develop ministerial statements of expectations and responding regulator statements of intent. The Guide also supports regulators to report against three principles of best practice through their corporate plans and annual reports.

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[3] https://www.pmc.gov.au/sites/default/files/resource/download/aao-13-may-2025-signed.pdf
[4] https://www.finance.gov.au/government/managing-commonwealth-resources/regulator-performance-rmg-128

Finance convenes the Regulator Leadership Cohort (RLC), comprising 22 heads of Commonwealth regulators or senior officials responsible for significant regulatory systems or functions within Commonwealth departments. The RLC plays a vital role in supporting the Government's regulatory reform agenda by contributing deep expertise and system-wide insights. Through regular engagement, the RLC helps inform the direction of reform and provides strategic advice to modernise regulation – ensuring it remains fit-for-purpose in a digital era, protects against regulatory failures, and improves productivity through technology, data and digital reform opportunities, and stewardship. The RLC has identified 7 priorities areas to progress:

1. Artificial Intelligence
2. Skills and capability
3. Information sharing
4. Collaboration
5. Use of technology and legacy ICT transformation
6. Trust and accountability
7. Regulatory powers and enforcement.

In parallel, Finance also convenes the Regulatory Reform Inter-Departmental Committee (IDC) – a valuable cross-agency forum for SES Band 1s and EL2 officials of regulators and policy agencies. Meeting throughout the year, the IDC supports the reform agenda by collaborating and connecting on matters they are facing as policymakers and regulators, and exploring solutions. It plays a key role in driving implementation and shaping reform from the ground up, ensuring that policymakers and regulators are equipped to respond to evolving demands and deliver better regulatory outcomes.

Finance also engages with international regulatory bodies, including as Vice Chair of the OECD Regulatory Policy Committee, to exchange knowledge and support Australia's international regulatory cooperation.

Insights gathered through activities like the RLC, IDC, international engagement and broader government and external stakeholder engagement, are used to identify emerging challenges, opportunities, and system-wide trends. These insights inform Finance's prioritisation of reform efforts and help shape the strategic direction of the regulatory reform agenda.

Finance is also using these insights to progress a key legislative reform – a *Regulatory Reform legislative package* – which underpins the Government's commitment to keeping regulation fit-for-purpose. A central focus of the current Bill is the 'tell us once' principle, aimed at reducing duplication and streamlining information-sharing across government, so individuals and businesses are not asked to provide the same data multiple times for different purposes.

Through an internal *Commissioning Framework*, Finance is identifying, prioritising, and implementing targeted regulatory reform projects that align with the government's broader reform agenda and strategic priorities. The Framework enables a more deliberate approach to select reform initiatives, ensuring they are evidence-based and informed by stakeholder consultation. There is further opportunity to enhance our insights function to ensure it continues to deliver robust analysis that supports proactive and targeted reform across the regulatory landscape.

Regulatory reform projects

Through its reform project function, Finance is addressing regulatory challenges and identifying opportunities to improve and streamline regulatory systems to reduce cost pressures on businesses. In many cases, the risks and opportunities for Australia's productivity growth are cross-cutting, blur the line between international and domestic policies, and do not fit within a single department or portfolio. Leveraging its central agency convening power, Finance delivers reform projects that cut across sectors, portfolios and jurisdictions with a view to making regulatory systems simple and more effective.

Finance is also working to promote regulatory consistency across jurisdictions. Alignment between Commonwealth, state and territory frameworks is essential for fostering a competitive and productive economy. Disparities in regulation can create inefficiencies, increase compliance costs, and hinder business investment. A nationally consistent approach ensures businesses and industries can operate seamlessly across jurisdictions, reducing administrative complexity and supporting national economic stability.

Finance has demonstrated whole-of-government leadership to improve regulatory consistency through reform projects, including:

- The *Review of Overseas Health Practitioner Regulatory Settings*, which recommended practical reforms to streamline access to overseas health practitioners, making it quicker and easier for overseas practitioners to come and work in Australia.[5]
- In partnership with the Australian Competition and Consumer Commission, a cross-government review harmonising the regulatory framework for the safety of household consumer electrical products.[6]

Additionally, Finance is contributing towards the Treasury initiative to improve regulatory consistency across Australia through the National Competition Policy (NCP). This includes work to:

- Determine the feasibility of a national approach to care worker screening that will reduce the complexity and costs for individuals and businesses in the care and support economy, while strengthening protections of our most vulnerable cohorts.
- Increase the adoption of suitable international and overseas standards and improve regulatory harmonisation across jurisdictions. This will reduce regulatory burdens for businesses, while increasing product choice and safety for consumers.

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[5] https://www.regulatoryreform.gov.au/news-and-events/2023-12-06-final-report-independent-review-overseas-health-practitioner-regulatory-settings

[6] https://www.regulatoryreform.gov.au/priorities/review-regulatory-framework-safety-household-electrical-products

Response to the interim report

Many of the Productivity Commission's draft recommendations on regulation to support business dynamism align with and support strengthening the Government's current regulatory reform work. Finance's response to specific recommendations is outlined below.

Draft Recommendation 2.1 – Set a clear agenda for regulatory reform

- *The Government should adopt a whole-of-government statement that commits to new principles and processes to drive regulation that supports economic dynamism.*

The RPPPF, launched by the Minister for Finance in August 2024, commits the Government to regulatory principles that promote economic dynamism. The RPPPF will be strengthened to highlight the Government's focus on enhancing efficiency and productivity, and reflect recommendations from the Report, the Australian National Audit Office's (ANAO) recent audit *Ministerial Statements of Expectations and Responding Statements of Intent*,[7] and the Joint Committee of Public Accounts and Audit.[8]

- *The statement should identify immediate concrete reductions in regulatory burden and set out quantitative targets for government to achieve.*

Any discussions on regulatory costs should be balanced with adequate consideration of regulatory benefits. Regulation is put in place to deal with market failure, secure Australia's interests and protect Australians' health and safety. The Government's regulatory reform agenda prioritises continuous improvement, taking a balanced and holistic approach to reform that can boost productivity and support Australia's economic resilience, without reducing necessary protections.

Setting quantitative targets can help focus reform efforts, but it is essential that such targets are well-designed to ensure they drive genuine system improvements. Targets should be structured to reflect meaningful outcomes so that meeting them signals a better-functioning, more efficient regulatory system. Poorly constructed targets risk creating a resource-intensive exercise that diverts attention from meaningful reform.

Quantitative targets can often introduce volatility and uncertainty into the system, particularly if regulators and policymakers end up prioritising meeting reduction targets over delivering regulatory outcomes. This can undermine the stability that regulation is designed to uphold. A number of recent Royal Commission[9,10] and Independent Review[11,12] findings have shown that the absence of fit-for-purpose regulatory settings can erode public trust, reduce investor certainty, and expose communities to avoidable harm.

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[7] https://www.anao.gov.au/work/performance-audit/ministerial-statements-of-expectations-and-responding-statements-of-intent
[8] https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/CommonwealthRegulations
[9] Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry: Final Report Volume 1
[10] Royal Commission into Violence, Abuse. Neglect and Exploitation of People with Disability: Final Report Executive Summary
[11] Independent review of Australia's regulatory settings relating to overseas health practitioners: Final Report
[12] Management of Non-Compliance with the Therapeutic Goods Act 1989 for Unapproved Therapeutic Goods: Auditor-General Report

In the absence of a robust approach to measuring regulation and a reduction target that accounts for both regulatory burden and value, there is opportunity to strengthen the tools we use to support continuous improvement. This could include regulatory 'pulse checks' that move beyond static, point-in-time reviews and instead allow for more dynamic monitoring.

Another practical alternative is to develop a measure of cumulative regulatory cost and value. Such measures would bolster the analysis in an Impact Analysis, which focusses on the costs and benefits of a proposed policy change to support informed decisions.

Draft Recommendation 2.2 – Bolster high-level scrutiny of regulations

- *Strengthen Cabinet's scrutiny of regulatory proposals by applying similar methods used to scrutinise budget proposals.*

Finance provides advice to agencies on new regulatory proposals going to Cabinet or its committees. This involves evaluating regulatory initiatives against the RPPPF to ensure they are fit-for-purpose and offering targeted feedback to improve alignment with its principles.

Our Regulatory Reform branches engage early with agencies on proposals that will eventually arrive at Cabinet so that alignment with the RPPPF's principles can be more thoroughly tested before proposals reach an advanced stage. This includes engaging with agencies – often before drafting has commenced – to test alignment and provide guidance. For significant regulatory proposals, Finance may also contribute advice to Cabinet briefing processes to support scrutiny and decision-making.

New or amended regulatory proposals also present an opportunity to 'tidy up as we go' – reviewing the broader stock of regulation in the relevant area to identify gaps, overlaps or outdated provisions. Using the momentum generated by new proposals allows for more agile and responsive regulatory stewardship. Finance is working with PM&C, including OIA, on ways that we can strengthen early engagement with agencies when developing regulatory proposals (including alternatives to regulatory interventions) to continue to improve the advice provided to Government to inform decision making.

- *Make greater use of external sectoral reviews to reduce cumulative regulatory burdens. The PC recommends that the Australian Government task the PC with a regular and systematically devised stream of regulatory reviews.*

Finance supports the Productivity Commission's recommendation to undertake a regular and systematically devised stream of regulatory reviews. This approach aligns with our project methodology under our *Commissioning Framework*, which enables targeted, evidence-based reform initiatives that respond to Government priorities. Sectoral reviews can be a valuable mechanism for identifying and addressing cumulative regulatory burden, and ensuring regulatory settings remain fit-for-purpose.

The *Commissioning Framework* could be used to identify and scope sectoral reviews for the Productivity Commission, in partnership with the Treasury.

Draft Recommendation 2.3 – Enhance regulatory practice to deliver growth, competition and innovation

- *The Government should enhance the expectations placed on public servants, making them accountable for delivering growth, competition and innovation through regulatory systems. It should do so through ministerial statements of expectation, which should indicate (among other things) how much risk they should tolerate in pursuit of business dynamism.*

Finance agrees it is important that public servants deliver growth, competition, and innovation through well-designed regulatory systems. Through its stewardship role, Finance assists regulators and policy agencies to build robust regulatory frameworks that support business dynamism and contribute to stronger economic outcomes. Our advice, guidance and active engagement across the regulatory lifecycle helps to ensure regulatory systems are fit-for-purpose and easy to navigate.

Finance plays an active stewardship role within the devolved framework of responsibility and accountability established under the *Public Governance, Performance and Accountability Act 2013*. While this framework places accountability with accountable authorities, Finance continues to engage closely with regulators to support strong performance. We contribute through targeted guidance and collaboration, recognising that regulatory stewardship is a shared endeavour. Accountability mechanisms such as ANAO performance audits and Senate estimates scrutiny remain critical, and Finance is working to strengthen its stewardship role in response to the ANAO's recent audit, the Joint Committee of Public Accounts and Audit's findings,[13] and the Economic Reform Roundtable.

Finance supports the notion of clear and transparent understanding of risk appetite by Government, the regulators, the regulated entities and the public. Ministerial statements of expectations and responding regulator statements of intent are valuable tools that support government in setting its expectations of regulators. When used effectively, they establish a shared understanding between ministers and regulators about priorities and desired outcomes, helping to encourage a more effective balance between growth and risk. These tools also reinforce the accountability of regulators for delivering against those expectations, consistent with broader public sector obligations. As part of its stewardship role, Finance is currently reviewing guidance supporting the drafting of ministerial statements of expectations and regulator statements of intent in response to recommendations of the ANAO's audit.

- *Central agencies should give public servants more guidance and provide capability building to help them become regulatory stewards, and hold them to account through key performance indicators and an assessment of the costs their activities impose on businesses.*

[13] https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/CommonwealthRegulations

Finance is committed to strengthening regulatory stewardship across the Commonwealth and welcomes ongoing opportunities to support public servants in this role. We are actively progressing work in this area, including through a suite of practical tools under the RPPPF. These tools include a *Regulator Maturity Model* which helps Commonwealth regulators evaluate and improve their regulatory capability at the enterprise level, as well as measure changes to their capability over time.

To further support consistent and risk-informed regulatory practice, Finance has also consulted on the *Best Practice Handbook*. This resource will assist Commonwealth policymakers and regulators to determine if, when and how existing risk assessments, standards, and conformity assessment procedures should be adopted at the national level.[14]

In addition, Finance is progressing updates to RMG 128 in response to recommendations made by the ANAO.[3] These updates are designed to assist entities to better understand and meet their reporting obligations, supporting them to be effective regulatory stewards. We will also consider recommendations from this Report within the broader policy context and Finance's stewardship role, including our approach to RMG 128 and ministerial statements of expectations and regulator statements of intent.

- *Regulatory stewardship should be defined in the government's regulation statement, as the APS has no clearly articulated definition of regulatory stewardship.*

In addition to the definition of 'stewardship' provided by section 10 of the *Public Service Act 1999*, the RPPPF defines regulatory stewardship as '*regulatory systems must be monitored and evaluated to minimise risks of regulatory failure and ensure they are fit-for-purpose, meeting the identified need and achieving desired regulatory outcomes – i.e. an outcomes-focused approach*'.[15] The RPPPF also provides advice to policymakers and regulators on how to put the concept of regulatory stewardship into practice.

- *The Government should seek regulatory stewards' advice on their resourcing constraints and their legislation, and where inadequacies are identified, review should take place*

There will invariably be discussions regarding the appropriate levels of resourcing for regulators. It is important to align what is expected of regulators with the resources available to regulators, and for regulators to make transparent decisions about how they apply and use their resources. The Government has a range of existing mechanisms for review of resourcing, including statutory reviews, APS Capability Reviews (occur every five years but limited to departments of state, Services Australia, the Australian Taxation Office and the Australian Public Service Commission), the Financial Regulator Assessment Authority (reviews APRA and ASIC every five years – next ASIC review in 2026 followed by APRA in 2027) and the Cabinet processes to review and consider requests for additional resources.

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[14] Consultation paper: National Competition Policy – Lowering barriers to the adoption of international and overseas standards in regulation

[15] Regulatory Policy, Practice and Performance Framework, page 13.

Finance also invites and reviews advice from regulatory stewards on barriers to improved regulatory systems, including resourcing constraints and legislative barriers, through the Regulator Leadership Cohort, the Regulatory Reform Inter-Departmental Committee and the Regulatory Reform legislative package process. These inputs feed into our broader insights function, which helps identify issues and opportunities for reform. Insights gathered through these channels inform action across the regulatory lifecycle, including through legislative amendments or updates to Finance-owned frameworks.

- *Whole-of-government processes should also be conducive to regulatory stewardship. Restrictions on information sharing so regulators can collaborate more, or restrictive processes that prevent flexible review of regulations, may need to be loosened*

Finance is leading work to improve information sharing for regulators which has been identified by the Regulator Leadership Cohort as a key priority. The *Regulatory Reform legislative package* and *Regulatory Powers (Standards Provisions) Act 2014* provide vehicles for this improvement.

Finance is also undertaking a statutory review on the operation of the *Data Availability and Transparency Act 2022* (DAT Act). The objects of the DAT Act are to maximise the value of public sector data by providing a mechanism to overcome existing barriers to data sharing, including through an authorisation to override other laws, with appropriate safeguards in place. The review is considering the effectiveness of the Act and whether its operation supports improvements in public sector data availability, sharing and transparency.

Conclusion

Finance remains committed to supporting a regulatory environment that is dynamic, resilient, and fit-for-purpose. By embedding stewardship, modernising regulatory frameworks, and driving meaningful reform across jurisdictions and sectors, we are laying the groundwork for a more productive and competitive economy. The Report provides a valuable opportunity to align reform efforts and strengthen regulatory practice across government. Finance looks forward to continuing this work in partnership with the Productivity Commission and other stakeholders to ensure regulation remains a driver of innovation, investment, and public trust.