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Improving non-financial business reporting requirements

Productivity Commission
LB2 Collins Street East
Melbourne Vic 8003

Dear Commissioners,

Please find attached a submission to the inquiry “Business reporting requirements”, along with links to relevant research work by the CIS.

Yours sincerely

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Centre for Independent Studies (CIS)

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Introduction

This submission is from the Centre for Independent Studies (CIS), an independent think tank dedicated to fostering open and respectful debate on economic, policy and cultural issues within Australian society. The CIS supports free choice and individual liberty and defends cultural freedom and open debate. The CIS aims to ensure good policy ideas are heard and seriously considered so Australia continues to prosper.

The comments and recommendations included here are high-level and economy-wide, rather than specific examples of reporting requirements and their associated costs. The CIS has not attempted to identify specific ‘pain points’ of business reporting requirements mentioned in the terms of reference. Rather, the focus is on the broader context of the burden of business regulation and reporting.

Comments and recommendations included draw upon the significant body of CIS research completed since it was founded 50 years ago. Links to the relevant CIS research projects are included at the end of this submission.

The growing burden of business reporting requirements

Regulators have a clear need to extract important information from private businesses on performance across many metrics — including treatment of customers, suppliers and other stakeholders, carbon emissions and workplace equity. That this obligation for business is necessary in any well-functioning, capitalist-based democracy is not disputed.

What can and should be challenged, however, is the extent of reporting requirements, cases of duplication across government agencies, regulators and levels of government as well as the increasing burden on business to comply with the worsening thicket of red tape and rules. This burden imposes substantial additional costs on private businesses and drains resources from more creative and strategic activities, including investment and job creation.

Businesses in Australia already face numerous headwinds, while also confronting official requirements imposed by regulators and government agencies. These headwinds include sluggish economic growth, low productivity, elevated and persistent inflation, reregulation of workplaces, rising energy costs, poor energy sustainability and reliability, tax increases, higher tariffs and worsening geopolitical uncertainties.

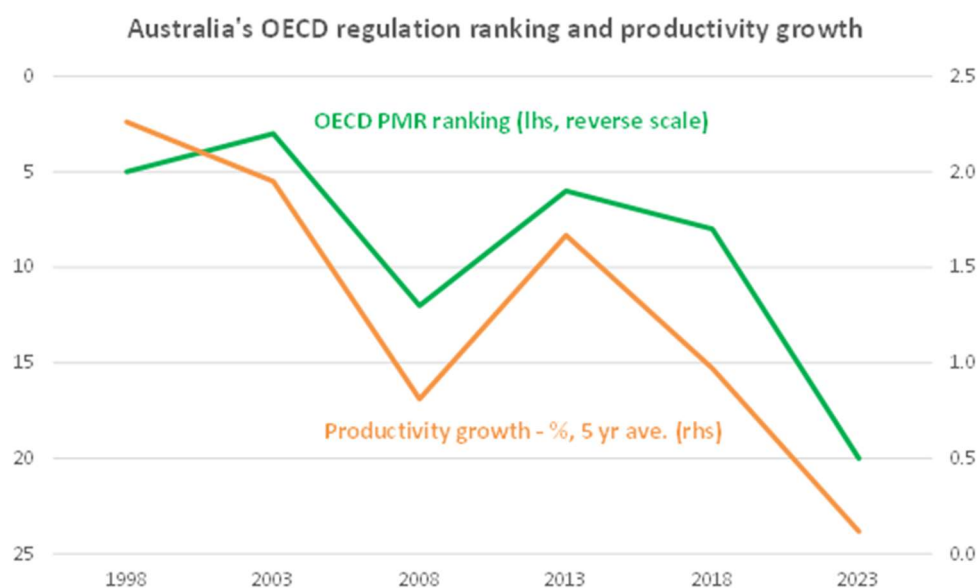
Additional reporting obligations make operating a business in Australia increasingly difficult, with the burden disproportionately felt by smaller firms. Smaller businesses do not have the budget or headcount to employ specialist staff in areas such as regulation, legal and compliance roles that many larger companies can afford.

The increasing requirements for business reporting are not solely responsible for Australia's recent woeful productivity performance. But the duplication of effort across jurisdictions and multiple regulators presents unnecessary challenges that distract business executives from undertaking core business activities.

There is little doubt the burden of Australian business regulation and compliance has become heavier. Australia's rank on the OECD Product Market Regulation (PMR) index has fallen from third to twentieth over the past two decades. Australia has become more burdensome for businesses relative to other countries in the OECD, partly because business reporting requirements improved elsewhere.

Australia's ongoing productivity crisis stems from a combination of growing government footprint, the expanding welfare sector, lack of business investment outside the nascent data centre boom and waning benefits of previous reforms. This has delivered the nation's worst productivity performance in six decades.

But the even-heavier burden of regulation and compliance for business also plays a significant role. Indeed, there is a positive correlation between Australia's lower PMR ranking and our productivity performance. This implies there is a uniquely Australian element to our weaker productivity performance, even as productivity has weakened in comparable economies.



Source: OECD, ABS, CIS.

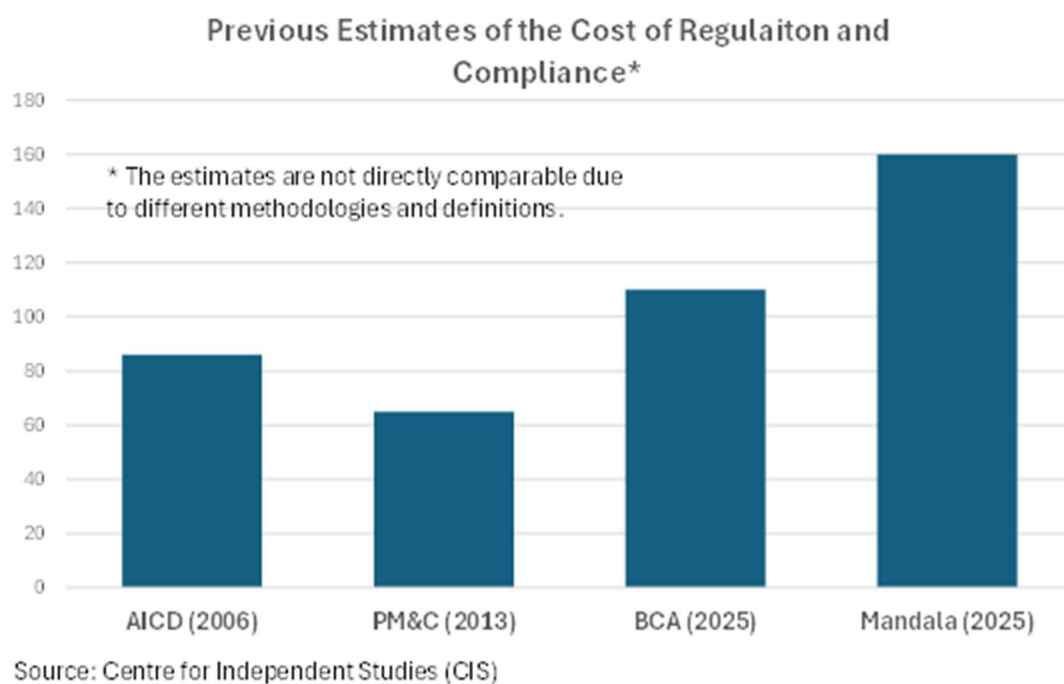
A particular point of concern for the CIS is that the burden of business climate reporting is increasing. From July 2026, larger Australian firms were required to report their so-called Scope 1 and Scope 2 carbon emissions — those generated within Australia. This is complex enough and requires substantial additional resources.

But from July 2027, businesses also will be required to report on Scope 3 emissions — those generated elsewhere in their supply chains, including overseas. This includes emissions generated by burning coal exported from Australia, for example, in China. This expansion will bring even more complexity and cost.

The high and rising cost of business regulation and compliance

In context, business reporting is an important element of the already high and rising cost of business compliance and regulation. This not only imposes accounting and productivity costs on businesses but distracts management from core business.

The cost of regulation and compliance, of which business reporting is an element, is estimated by Mandala to be \$160 billion (nearly 6% of GDP), based on hours worked in compliance-type roles. This estimate, however, understates the true cost because it excludes opportunity cost — for example the cafe not opened because of heavy licensing and permit requirements and the resources project not developed because of approval delays.



Recommendations for change

The following high-level recommendations are offered as ways to lower the reporting obligations on business to reduce costs and enhance productivity. These should be undertaken as part of a broader campaign to ease the growing burden of regulation and red tape on business:

- **Reducing the frequency of reporting** particularly on matters that change slowly. Examples would be anti-slavery and carbon emissions reporting. Information on each is unlikely to change on, say, a six-monthly reporting cycle.
- The **‘tell us once’** principle should be applied wherever possible, rather than multiple times, even within the same level of government. Once a regulator is informed, no other regulator or agency should require the same reporting. The onus should be on government to better integrate regulators and agencies to share the information.
- The principle of **‘tell us only once’** also should apply. That is, on issues such as anti-slavery reporting, it is unlikely an Australian business would introduce slavery into production chains within the current reporting schedule.
- A similar principle would be **‘tell us when things change’**. That is, businesses could be required to report when there is significant change in, say, gender equity within their organisation. This would prevent firms having to report unchanged or similar results in successive reports to regulators.
- Better use of **cost benefit analysis** when implementing new regulations and reporting requirements. The current regime is ineffective, with too many exemptions from impact assessment allowed via the federal Office of Impact Assessment (OIA). There also should be more effective post-implementation review and impact analysis.
- **Raise the turnover thresholds** for business reporting obligations to exclude smaller firms, given reporting requirements are disproportionate relative to larger firms.
- **Reduce duplication** across jurisdictions so businesses do not have to report the same information to federal and state governments and across state borders. Again, the onus should be on regulators and governments to better integrate and share information.
- **Make better use of existing government and private data** and integrate reporting requirements across regulators and government agencies so new information does not have to be collected repeatedly.

Previous and ongoing CIS research related to this inquiry

This submission is intended to direct the Commission's attention to the extensive body of work CIS researchers have compiled over many years — ranging from examination of productivity, regulation, economic efficiency, tax reform, housing and social cohesion, and many other significant business matters.

Below is a list of references to previous work that expands on issues raised in this submission, including previous submissions to the Productivity Commission:

[Our Prosperity is Slipping: Submission to Economic Reform Roundtable - The Centre for Independent Studies](#)

[Australia and New Zealand: Reform, prosperity and retreat - The Centre for Independent Studies](#)

[An economic walk on the supply side - The Centre for Independent Studies](#)

[Addressing Australia's Productivity Problem. Blueprint to Unshackle Growth - The Centre for Independent Studies](#)

[IR system killing worker productivity to economic detriment of all - The Centre for Independent Studies](#)

[Submission to the Productivity Commission 5 year productivity review: Increasing Australia's Future Prosperity - The Centre for Independent Studies](#)