



**Submission to the
Productivity
Commission
in relation to Geographic Labour
Mobility Issues Inquiry**

Table of Contents

1	Introduction	3
2	The National Occupational Licensing System.....	4
2.1	<i>Existing licensing arrangements.....</i>	4
2.2	<i>Mutual recognition</i>	4
2.3	<i>The National Occupational Licensing System.....</i>	4
2.4	<i>Governance arrangements.....</i>	5
2.5	<i>Conduct arrangements.....</i>	7
2.6	<i>Legislative framework.....</i>	7
2.7	<i>Implementation timeline.....</i>	8
3	Governance and ownership issues	9
3.1	<i>Standing Council decisions</i>	9
3.2	<i>Lack of ‘champion’ for the project</i>	10
3.3	<i>Jurisdictional ownership.....</i>	10
3.4	<i>Transitioning from Taskforce to NOLA.....</i>	10
4	Development of Policy Proposals.....	12
4.1	<i>Revolving membership of the Steering Committee</i>	12
4.2	<i>Negotiating a position where there are many competing interests</i>	12
5	The National Licensing Register	13
6	Other implementation issues.....	15
6.1	<i>Licensing fees</i>	15
6.2	<i>Multiple occupations = multiple delays.....</i>	15
6.3	<i>Timeline.....</i>	16
7	Realising the economic benefits.....	17
7.1	<i>Projected economic benefits</i>	17
7.2	<i>Inclusion of additional occupations.....</i>	18
7.3	<i>Inclusion of conduct requirements.....</i>	18
8	A way forward.....	19
Appendix A	NOLS Governance arrangements.....	20
Appendix B	NOLS Implementation Timeline.....	20

1 Introduction

In July 2008 the Council of Australian Governments (COAG) agreed to the introduction of a National Occupational Licensing System as part of a program of regulatory reform to increase Australia's productivity.

The introduction of national licensing aims to:

- improve business efficiency and the competitiveness of the national economy;
- reduce red tape;
- improve labour mobility;
- enhance productivity; and
- boost consumer confidence and protection without imposing unnecessary costs or lessening competition.

The National Occupational Licensing Authority is the statutory authority established to develop policy about and administer the National Occupational Licensing System. The Authority is funded jointly by State and Territory governments.

Established in May 2012, the Authority assisted the COAG National Licensing Taskforce and Steering Committee during the policy development for the first wave of occupations. Through this experience, the Authority has identified a number of important issues for developing national policy around enhancing geographic mobility, particularly for those in licensed trade occupations.

In making this submission, the Authority notes that geographic labour mobility refers to the capacity for people to move from one job to another, while also moving between geographic locations. This may refer to an employee moving between geographic regions, within jurisdictions, or interstate.

Improved labour mobility is at the heart of the national licensing system. The current system of jurisdiction-based occupational licensing creates an artificial barrier that hinders the capacity for people to easily relocate interstate. It may also limit geographic labour mobility for contract or short-term work, such as during natural disaster recovery or for nationally significant projects. Currently, a person licensed in one jurisdiction who wishes to move between states to work needs to apply for mutual recognition of their licence or a new jurisdiction-based licence.

National licensing will remove the requirement for licence holders to hold and pay for more than one licence to work in multiple jurisdictions. National licences will be issued in all states and territories according to the same eligibility requirements, removing the need to apply for a new licence when relocating.

The development and implementation of the national licensing system is well advanced and is expected to commence for certain occupations in 2014. However, to realise the full benefits of improved labour mobility, the system will need to be continually enhanced to address issues that have been identified during its development. This submission outlines measures to address these issues.

1 The National Occupational Licensing System

2.1 *Existing licensing arrangements*

For many occupations, jurisdictional governments manage the risks associated with that work through various licensing schemes. This has led to different licences being issued in separate jurisdictions for the same occupational area, often with different parameters, eligibility requirements and scopes of regulated work; and different licence classifications, training requirements, licence periods and licence structures commonly apply. For electrical occupations, for example, there are up to eight approaches to setting licensing requirements around the country.

Occupational licensees, who wish to work across multiple jurisdictions, currently need to obtain the relevant licence or licences in each jurisdiction through a process of mutual recognition. This is inconsistent, and imposes additional costs on licensees.

At its most basic level, a tradesperson working, for example, in the NSW border town of Queanbeyan and also within the Australian Capital Territory, would need to hold and maintain a NSW licence and an ACT licence, each attracting separate costs and processes.

2.2 *Mutual recognition*

Under mutual recognition, a licensed person moving from one jurisdiction to another may be entitled to a licence authorising the equivalent scope of work. They must, however, first apply for recognition of their existing licence to the new jurisdiction and pay a fee. If the new jurisdiction recognises the licence, the licensee is issued with the nearest equivalent licence, which may have different conditions imposed to achieve equivalence. It is sometimes necessary for the new jurisdiction to issue multiple licences to equal the scope of work of the one original licence.

If the licensed person works across various borders, they must obtain and renew multiple licences and pay the relevant fees.

2.3 *The National Occupational Licensing System*

On 30 April 2009 the Council of Australian Governments (COAG) signed the *Intergovernmental Agreement for a National Licensing System for Specified Occupations*. The objective of the Agreement was to implement a national system of licensing for a number of specific occupations to ensure:

- licences issued in any jurisdiction allowed licensees to operate in all participating jurisdictions; and
- licensing arrangements were effective and proportionate to ensure consumer protection and public health and safety, while ensuring economic efficiency and equity of access.

The reforms will improve business efficiency and the competitiveness of the national economy, reduce red tape, improve labour mobility and enhance productivity. They will also enhance consumer confidence and protection without imposing unnecessary costs on consumers and business or substantially lessening competition.

National occupational licensing will enable tradespeople and other licensed practitioners to respond quickly to emergencies or disaster recovery needs. It will improve opportunities for competition within the Australian economy by enabling licensed persons and companies to tender for work outside their home jurisdictions and without the need to obtain another licence or engage a licensed person.

The first wave of occupations under the national occupational licensing system are property (excluding conveyancers and valuers); electrical; plumbing and gasfitting; and air conditioning and refrigeration occupations.

Building and building-related occupations, conveyancers and valuers will comprise a second wave of occupations, with the system having the capacity to extend to other licensed occupations over time.

The system will be implemented under a delegated agency model, with NOLA responsible for occupational licensing policy development; national licensing procedures and guidelines; and the development, implementation and maintenance of a national public register for the included occupations. Existing jurisdictional regulators, as the Authority's delegates, will continue to process licence applications, in accordance with national procedures. They will also set and enforce conduct requirements for licence holders and set and receive licensing fees. While these fees may vary across jurisdictions, licence holders will benefit from only having to pay once.

2.4 Governance arrangements

The national licensing system's governance arrangements are set out in the *Occupational Licensing National Law Act 2010*. Appendix A shows the relationship between the various parties involved.

2.4.1 Ministerial Council

The Act provides for a Ministerial Council, in this case the Standing Council on Federal Financial Relations, to be responsible for the effective implementation and operation of the national licensing system. The Standing Council comprises the Federal Treasurer and the respective Treasurers from each state and territory.

This Standing Council was assigned responsibility for regulatory reform in most jurisdictions, and portfolio responsibility sits within Treasury. Maintaining national licensing responsibility at the Treasury level is important in ensuring an effective and efficient national licensing model.

However, the *National Licensing System for Specified Occupations – Decision Regulation Impact Statement* recognised that allocation to another Ministerial Council could be considered.

2.4.2 National Occupational Licensing Authority

The National Occupational Licensing Authority was established in 2012 as an independent statutory authority. The Authority's principal functions are to develop national licensing policy and administer a national occupational licensing system including the development of a national licensing register. The Authority is also charged with providing independent and expert advice to the Standing Council about matters relating to the national licensing system. The Standing Council may give the Authority directions about the policies to be applied in exercising its functions.

2.4.3 National Occupational Licensing Board

The Authority is governed by the National Occupational Licensing Board comprising nine members, including a Chair and two regulators. The Board is appointed by the Standing Council and must include a balance of people with appropriate licensing skills or experience in unions, representing employers, consumer advocacy work or in training. The Board includes representatives of two current jurisdictional regulators that are delegated agencies under NOLS. The Board is responsible for controlling the affairs of the Authority and ensures the Authority performs its functions in a proper, effective and efficient way (section 104 of the National Law).

2.4.4 COAG National Licensing Steering Committee

In 2009, COAG established a National Licensing Steering Committee comprising senior officers from each jurisdiction's central agencies (First Minister's departments or Treasuries) and chaired by a senior officer from a Commonwealth agency.

Under the Intergovernmental Agreement, the Steering Committee was established to oversee the implementation of national licensing in the interim period before the commencement of the Authority.

The Steering Committee advised the Standing Council on the framework legislation for the national licensing system, considered policy advice provided by the COAG National Licensing Taskforce, and sought to ensure all relevant parties had been engaged and consulted during the policy development phase of the national licensing system.

The Steering Committee was also supported by a Legislation Committee to assist in the drafting of the National Law based on a consistent national approach and the existing occupational licensing legislation in each state and territory.

The Legislation Committee has been re-established under the auspice of the National Occupational Licensing Authority.

2.4.5 COAG National Licensing Taskforce

The COAG National Licensing Taskforce was established to support the Steering Committee and Ministerial Council until the National Occupations Licensing Authority became operational.

As part of these transitional arrangements, the Intergovernmental Agreement also required Interim Advisory Committees to be established for each occupational area to provide advice to the Taskforce regarding the development, maintenance and performance of licensing policy for each occupational area. The Interim Advisory Committees represented a balance of expertise relevant to the occupational area across the fields of regulation, industry operations and practices (from both a union and employer perspective), safety, consumer advocacy, insurance (where relevant) and training.

These committees are being re-established as permanent Occupational Licensing Advisory Committees, as required under the National Law.

The Taskforce was also supported by a Regulator Working Group for each occupation, comprising regulator members from relevant jurisdictions.

The Taskforce undertook considerable consultation with stakeholders to develop the national licence policy for each occupational area, developed policy positions on the elements of the national licensing system, and administered the drafting of the National Law.

With the establishment of the National Occupational Licensing Authority, the Taskforce's operations have now been wound down.

2.4.6 Deputy Senior Officials Meeting (DSOM)

A Deputy Senior Officers Meeting (DSOM) comprising Deputy Senior Officers of First Minister's Departments and chaired by the Commonwealth provides an additional governance layer. DSOM has been involved in policy decisions that could not be resolved by the Steering Committee or where jurisdictions felt the need to elevate an issue for a decision at a higher level.

Conclusion

The project has been significantly over-governed due to these multiple layers of government engagement, resulting in an inefficient process from a productivity perspective.

2.5 Conduct arrangements

COAG decided from the outset that the national licensing system should initially be limited to licensing requirements, with conduct requirements (that is, those requirements that relate to how the person conducts the business) remaining the responsibility of the states and territories.

Both the Intergovernmental Agreement and the National Law include provisions for conduct requirements to be included in the National Law in the future.

This means that, while a person may apply for a national licence as an electrician, for example, the licensee will still have to be aware of the different testing and certification requirements that apply in each jurisdiction they intend to operate in and comply with those requirements. They will, of course, need to meet a single set of requirements to be eligible for a licence under national licensing arrangements, and the scope of work that can be performed under that licence will be consistent across Australia.

Conclusion

The exclusion of conduct requirements from initial implementation of the national licensing system retains an inefficient system with inconsistencies across jurisdiction and, increased confusion for licensees and consumers about the applicable conduct rules and prevents the full benefits of the national system from being achieved.

2.6 Legislative framework

The *Occupational Licensing National Law Act 2010* is enabling legislation that encapsulates the framework for the national licensing system.

The National Law passed through both houses of Parliament and received Royal Assent in Victoria, the host jurisdiction, on 28 September 2010. It has also passed in New South Wales, Queensland, South Australia, Tasmania and the Northern Territory. South Australia and the Northern Territory enacted mirror legislation rather than application legislation as required under the Intergovernmental Agreement.

Western Australia has introduced the National Law into its Parliament but is yet to pass the legislation and the Australian Capital Territory has not introduced the legislation into its Parliament, as it has reserved its right not to implement national licensing until the financial impact on the Australian Capital Territory is known.

When policy development work commenced in 2009 it was envisaged that greater policy detail would be contained in the accompanying regulations. As the work progressed it became apparent that the licensing model did not fit with a number of assumptions made when the National Law was drafted. In addition, concern was expressed that including substantive detail in the regulations could present risks to the integrity of the legislation and dilute jurisdictional powers.

Accordingly, substantive amendments are now required to the National Law to account for the complexities of incorporating 24 regulatory schemes into a single national licensing system.

An Amendment Bill is therefore being drafted. It includes occupational-specific schedules that contain licence categories, definitions of regulated work, eligibility requirements and exemptions. The Amendment Bill and five accompanying regulations will need to be agreed to by the Standing Council. The Amendment Bill will subsequently be introduced into the Victorian Parliament and published on the NSW legislation website.

2.7 Implementation timeline

The indicative implementation timeline in the Intergovernmental Agreement proposed that national licensing for the first wave occupations would commence on 1 July 2012 with national licensing for second wave occupations as soon as possible after 1 July 2013.

Due to complexities of the reform and the issues identified during the policy development process following the passage of the National Law, the original scheduled commencement date has been delayed.

As a result, on 13 April 2013, COAG recommitted to work towards a final decision on the reform by the end of 2013, which will take into consideration the outcomes of further state-based consultations. It is anticipated that national licensing will commence in 2014.

Conclusion

The original timeline was overly optimistic and underestimated the complexity of achieving the national consensus and legislative change required for the project.

2 Governance and ownership issues

3.1 *Standing Council decisions*

Given the Standing Council's full agenda, issues relating to national licensing are often deferred for discussion out of session. This has delayed decisions that impact the development and progress of the national licensing system, including the appointment of the Authority's Chief Executive Officer and approval of the Authority's budget.

While these delays have impacted the Authority's capacity to finalise internal governance arrangements and operations, they have not substantially impacted its capacity to achieve its objectives.

The COAG Communique on 19 April 2013 requires a final decision from the Standing Council on national licensing policy by 31 December 2013. The Standing Council's next meeting is expected to be in November 2013. If this decision is deferred or delayed it will have a significant impact on the ability to finalise the development and implementation of the national licensing system by the COAG deadline of 2014.

Possible alternative approach

Given the continued pressures on the Standing Council, it may be more appropriate to assign responsibility for the national licensing system to a different Ministerial Council. At the time the reform commenced and in the 2009 Decision Regulation Impact Statement, the COAG Legislative and Governance Forum on Consumer Affairs (CAF) (formerly known as the Ministerial Council on Consumer Affairs) was proposed as an alternative. CAF's role is to consider consumer affairs and fair trading matters of national significance and, where possible, develop consistent approaches to those issues. These portfolios generally have direct experience with occupational licensing regimes.

An alternative could be the Standing Council on Tertiary Education, Skills and Employment (SCOTESE). SCOTESE's forward work program includes standards for training packages, harmonisation of Australian apprenticeship programs and vocational education reforms. These reforms clearly intersect with the establishment phases of the national licensing system, such as development of training requirements and deeming schedules for the state and territory licences to be brought into the national scheme. However, a focus on training and qualification requirements for licensing occupations will lessen over time as national licensing commences and education and training issues are implemented.

On a strategic basis, future responsibility for the system may be better aligned with the policy interests of CAF Ministers. Once the policy position for the reforms have been agreed, CAF could become responsible for ongoing national occupational licensing system work. Improved governance arrangements may facilitate decision-making on strategic issues that affect its implementation and on future policy decisions.

3.2 *Lack of ‘champion’ for the project*

The model of shared responsibility means there is no single advocate for, or champion of, the project. Instead, the national licensing system requires agreement from a number of jurisdictional Ministers and their Commonwealth equivalent, each of whom will need to consider their jurisdiction’s policy agendas.

Current governance arrangements hamper the policy development for national licensing and timing for its introduction. There has been confusion about final approval of policy decisions. Jurisdictional and industry interests have competed on different levels: some policy issues that have been negotiated and resolved on one level have subsequently been elevated to another level or revisited through another forum and at times reversed.

For example, a national policy decision had been reached that national licensing was a preferred option over automatic mutual recognition and legislation was passed to that effect. Automatic mutual recognition had been rejected on the basis that it retained jurisdictional differences in licence categories and scopes of work and that there was no mechanism to ensure that any initial harmonisation was not lost over time by unilateral jurisdictional legislative changes. Subsequently, the automatic mutual recognition option was re-canvassed in detail in the Consultation Regulation Impact Statements (August 2011), confusing the issue for stakeholders.

3.3 *Jurisdictional ownership*

The national occupational licensing system will operate under a delegated agency model, with jurisdictions continuing to administer licences and process licence applications, in line with procedures and guidelines developed by the Authority.

The jurisdictions are vital to national licensing and have been heavily involved in the policy development process and related work. However, at times the positions taken by representatives of individual regulators have been at odds with the position taken by their central agencies in discussions at the Steering Committee, Standing Council and COAG.

A national approach to occupational licensing through the Authority would enable the best parts of the various methods and systems used in each jurisdiction to be adopted so as to achieve a nationally-accepted and efficient system.

3.4 *Transitioning from Taskforce to NOLA*

When the Authority was established, it was decided that the Steering Committee (and the COAG National Licensing Taskforce) would continue to manage finalising the policy for the wave 1 occupations as the work was well underway.

The Taskforce was recently disbanded, however, and consultation is currently being undertaken by the relevant agencies in the states and territories on the Decision Regulation Impact Statements for the first wave occupations. The outcomes of the consultation will be provided to the Standing Council, which will make the final decision on the national licensing framework.

The Authority has been tasked with implementing the national licences for the first wave via the delegated agency model, as well as developing the policy and legislative framework for the second wave of occupations. It has not, however, been given responsibility for undertaking any outstanding policy development, including analysis of the outcomes of consultation, in relation to the first wave of occupations.

It is contemplated in the Intergovernmental Agreement that, once established, the Authority would develop policy and administer the national licensing system. There would be benefits for the Authority to assume responsibility for all of the remaining work on the first wave, including reducing industry and consumer confusion as to who is responsible. The Authority has already assumed responsibility for the website that was set up by the Taskforce and receives inquiries about many aspects of the legislation and related policy issues.

Possible alternative approach

Transferring the remaining policy and legislative work to the Authority for the first wave of occupations would facilitate a coordinated and timely response to the issues raised in the consultation and aid in the implementation of national licensing for these occupations. It would also give clarity to industry, regulators and consumers.

3 Development of Policy Proposals

4.1 *Revolving membership of the Steering Committee*

Since its establishment, the Steering Committee has had an unusually large number of changes in its membership and Chair. This is in part due to the extended length of the project, transfer of senior officers to other positions within government, structural changes within government departments and changes in departmental responsibility for the project at a Commonwealth and state and territory level.

For example, at different points in time the Committee has been chaired by a representative from the Department of Prime Minister and Cabinet, the Department of Education, Employment and Workplace Relations and the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education. These changes have impacted on the progress of the reform and impacted the Committee's effectiveness.

4.2 *Negotiating a position where there are many competing interests*

Any national reform requires substantial negotiation and consultation to ensure stakeholders support the implemented outcomes, and to achieve a net public benefit. As the national licensing system was developed, various arrangements were put in place to engage and consult with stakeholders.

The policy for the wave one occupations was developed with significant input from industry stakeholders and regulators. Industry views were sought through representation of peak national bodies on the Interim Advisory Committees. This stakeholder engagement was critical in the policy development process and the majority of the advice provided was incorporated in the Steering Committee policy advice. Similarly, regulators' views were gained through the Regulator Working Groups.

Industry stakeholders and jurisdictions were also consulted through the Consultation Regulation Impact Statement process. Further industry views were sought when Interim Occupational Licensing Advisory Committees were established to consider selected issues that industry had identified as contentious.

Despite the extensive periods of consultation, industry and employers remain concerned that particular views have not been considered.

Prior to the release of the Decision Regulation Impact Statements for the Wave 1 occupations, COAG agreed to a request from some jurisdictions for a period of further consultation, managed by individual States and Territories. This additional consultation has again expanded timelines for a final implementation date and highlighted the need to fully understand industry custom and practice before pursuing reforms of this nature.

4 The National Licensing Register

The National Occupational Licensing Authority is establishing the National Licensing Register of licensees. The register will enable consumers to access information about all nationally licensed professionals and practitioners. It will also ensure licensees can easily move between jurisdictions to work and regulators can verify their authority to work.

The Register comprises two components:

- *The public register* will be the online reference point for the public, licensees and industry on all national occupational licences. Information will include the trading name of the licensee and the scope of work they are licensed to perform.
- *The regulator portal* will provide regulators with private access to additional information on licensees, similar to that already held by regulators. This would include licensee records, direct contact details, and personal details.

Currently, 24 regulator systems, utilise 18 separate computer systems. All regulators need to reconfigure their licensing computer systems to reflect the new requirements of the National Law. For those regulators utilising the NSW Government Licensing System (GLS), this configuration will only need to be done once and applied for each regulator using that system (currently NSW Fair Trading and Consumer Affairs Victoria). Whenever a new occupation is implemented the system will need to be reconfigured once for that new occupation and rolled out to all jurisdictions using the single system.

All other regulators need to reconfigure their individual systems to comply with the National Law. This is a massive duplication of effort and expense. Where the same regulators are involved in the implementation of subsequent occupations they will need to reconfigure again (although to a lesser degree) with every new occupation implemented.

Possible alternative approach

A single computer system for the national register could alleviate some of these issues. Under a single system, the register would not rely on linkages to other computer systems, regulators would follow the same business processes, and additional online services across Australia could be implemented, such as online application forms and applications being directed to available resources for processing, thus reducing administrative costs to government.

An indicative comparison of the costs of the current approach and of a single computer system is at Table 5.1.

A single system approach for the introduction of national licensing will save significant costs in the short term, and enable increased efficiencies, improved productivity, better customer service and cost savings well into the future.

Table 5.1 Cost of single v multiple licensing systems

Activity	Cost under current model	Cost under single system
Online applications	\$4.5 million	\$300,000
System development-National changes*	\$42 million	\$3 million
Change management/training	\$10 million	\$2 million
Data migration**	\$1 million	\$1 million
Managing external print vendors	\$1 million	\$100,000
Compliance management/system development	\$15 million	\$1 million
Data harmonisation and de-duplication (annually)	\$700,000	Not required
System maintenance (annually)	\$2.1 million	\$700,000
Ongoing Support (annually)	\$6 million	\$850,000
Licence fee (annually)***	\$3.5 million	\$3.5 million
Total	\$85.8 million	\$12.45 million

* Includes: batch, webservices development and maintenance; system auditability; reporting tool development and maintenance; and alerts and notifications.

** Includes jurisdiction cost and GLS coat

*** Based on 500,000 licenses @\$2.70

These estimates are based on 21 regulators and 8 jurisdictions.

5 Other implementation issues

6.1 *Licensing fees*

Current arrangements provide for each jurisdiction to continue to set and retain licence fees. Regulators in a number of jurisdictions are Treasury funded and do not charge fees based on full cost recovery, which means the licence fees in these jurisdictions are considerably less than other jurisdictions.

National licence holders and applicants will not be charged a uniform national licence fee, adding enormous complexity to the national licensing project, particularly when trying to ensure a seamless process for the licensee or applicant.

To prevent jurisdiction shopping (where a licensee lodges an application in the jurisdiction with the cheapest fees), the concept of primary jurisdiction has been introduced so that a person may only apply in their home jurisdiction i.e. where their primary residential address (if an individual) or primary place of business (if a corporation) is located. This concept has added significantly to the complexity of the business rules and system requirements for the national licensing system.

In order not to financially disadvantage regulators who operate on a cost recovery basis, any single national licence fee would need to be set on a cost recovery basis (including costs of compliance and enforcement). The potential impact for Treasury funded jurisdictions would be a significant fee increase that would be resisted by licensees and governments. In a climate where jurisdictions are pursuing cost recovery in their service delivery, any increases in licence fees may well be attributed to the introduction of the national system.

Possible alternative approach

A consistent national licence fee that adequately reflects the cost of administering the licensing legislation to protect consumers and sustain the ongoing viability of the industry could be set for each national licence category.

6.2 *Multiple occupations = multiple delays*

The complexity of developing a national system and simultaneously dealing with a number of occupations in the first wave process was underestimated. Both the policy and implementation development for four wave 1 occupations has proven to be highly complex and challenging. Despite this complexity, there has been value in developing the four first wave occupations simultaneously as this has ensured that the resulting legislation and policy will cater for a range of future occupations rather than being highly tailored to a specific occupation.

The issues encountered have had varying impacts, from delaying implementation to inadvertently increasing the complexity of the reforms.

Possible alternative approach

Once a national licensing model is finalised, additional occupations should be added incrementally to enable more effective management of the process and engagement with relevant stakeholders.

6.3 *Timeline*

The Authority considers that the original implementation timelines underestimated the complexity of the issues to be resolved across four occupations and the need for legislation to be passed in eight jurisdictions.

The issues that have been the subject of discussion and consultation in moving towards a national licensing system include the specific licences to be incorporated, the scopes of work and eligibility requirements for the licences. These issues have been considered for each of the four Wave 1 occupations.

Across these occupations, 21 regulators in the state and territory jurisdictions are responsible for the existing licences and each regulator has been involved in the policy development work for the national licensing scheme. These regulators will also be involved in the implementation once national licences are agreed.

Given the nature of these reforms, it is not surprising that many of the issues raised by industry and regulators have required detailed analysis and extensive consultation.

The lessons learnt in preparing for the first wave of occupations will be crucial in working through policy development and legislation for the second wave of occupations.

While COAG has announced that the national licensing system will be implemented in 2014, it is unlikely that implementation could occur prior to 1 December 2014 given eight jurisdictions need to individually consider these legislative changes. A high level implementation plan is at Appendix B.

6 Realising the economic benefits

7.1 Projected economic benefits

It is clear that national occupational licensing will lead to positive economic benefits nationwide. For example, the Productivity Commission has estimated that moving from no interstate labour mobility to full mobility could lead to a 0.3 per cent increase in GDP, amounting to \$4 billion (on 2011 figures). Although this overestimates the extent of the current reforms given existing mutual recognition arrangements and the initial national licensing focus on four occupations only, it does indicate the potential long-term benefits to Australia.

While other quantitative estimates for the nationwide economic impacts of national licensing exist, these figures tend to be similarly limited in their applicability to the system as a whole. The difficulty in accurately quantifying the economic impacts of the national licensing system is not surprising given the complexity of modelling outcomes for the reforms when the final scope of occupations to be included is unclear.

However, the Decision Regulation Impact Statements estimates of the economic benefits of the first wave of occupations are summarised in Table 7.1.

Table 7.1 Economic benefits estimates

Occupation	Total national impact			
	Ongoing net impact	One-off transition costs	10-year net present value (NPV)	Cost-benefit ratio of NPV
Property	\$96.66m pa	(\$18.46m)	\$611.45m	15.03
Plumbing and gas-fitting (3 tier, sub-option 2)*	\$52.19m pa	(\$23.74m)	\$318.41m	8.13
Refrigeration and air-conditioning*	\$7.77m pa	(\$1.85m)	\$37.73m	2.81
Electrical	\$61.69m	(\$31.08m)	\$374.22m	8.59

* Option preferred or recommended by the relevant Decision RIS.

For the four occupations targeted for national licensing in 2014, each Regulation Impact Statement outlined positive economic benefits for the licensees and industry in question, indicating an overall benefit to the economy. The overall economic benefit would also be enhanced with the inclusion of successive occupations in the national system.

Various other overall economic benefits – such as the potential benefits of improved efficiency of labour mobility to competition, natural disaster recovery, and the development of nationally significant infrastructure - do not appear to have been quantified. There would also be potential benefits to consumer protection frameworks from harmonising the level of service and experience required across jurisdictions for licences and efficiency benefits to government from centralised policy development, consistency and regulatory efficiency.

The Authority is currently considering further economic analysis of the proposed national licensing system. At a minimum, it will draw on the data available through

the existing Regulation Impact Statements, Productivity Commission reports and other sources to develop a transparent and simple assessment of the costs and benefits of national licensing. This could also consider the potential costs of the reform, including the Authority's operational costs, costs to regulators and changes in government revenue.

The Authority believes further work will provide greater transparency on the costs and benefits of the reforms and provide assurance to stakeholders, particularly governments, regulators and industry.

7.2 Inclusion of additional occupations

The Intergovernmental Agreement makes provision for the future inclusion of a additional occupations in the national system. These benefits would be realised through nationally consistent licence categories for the new occupations as well as classifications, training standards and eligibility requirements generally across the broader range of occupations. The business community would benefit from nationally standardised rules for licences and consumers would benefit from a more transparent and accountable system.

7.3 Inclusion of conduct requirements

Due to varying conduct requirements between jurisdictions, licensees will still need to understand and comply with the conduct requirements of the jurisdiction they are operating in. This will require significant effort on the part of a licensee as they move between jurisdictions and reduces the productivity, efficiency and economic gains from national licensing arrangements.

Industry representatives consistently raise concerns about the lack of national conduct harmonisation. For some occupations, such as property, the full benefits of the national system will not be realised until conduct requirements are harmonised.

The policy decision to retain jurisdiction-based conduct requirements again highlights the complexity that has been introduced into the national licensing system. The hybrid model that has eventuated, as the system has evolved, has eroded the maximum benefits achievable, and increased the implementation costs from the ideal streamlined approach.

7 A way forward

The National Occupational Licensing System was conceived by COAG as part of the Seamless National Economy reforms. However, various policy decisions have steadily eroded the maximum benefits that could have been achieved. Decisions to permit jurisdiction-based licence fees, integrate existing register systems, and allow jurisdiction-based conduct requirements have increased the complexity and cost of the reforms, while reducing the potential economic and efficiency benefits. These key policy examples outline some of the problems in achieving the maximum economic benefit of the reform.

Governance arrangements have also impacted on the implementation timeframes, as new levels of approvals have been added (e.g. DSOM) and key policy decisions must compete with other priorities for attention from senior decision-makers.

Regardless of the deferred implementation, the national licensing system will still provide significant economic benefits and an efficient foundation for enhancing labour mobility. On the basis that a final policy position is reached by the end of 2013 and legislation is passed in Victoria in early 2014, the national licensing system will become operational in 2014.

Once all planned occupations are incorporated into the national licensing system, there will be scope and capacity to introduce additional occupations, each of which is likely to improve the efficiency gains and economic benefits of the overall scheme.

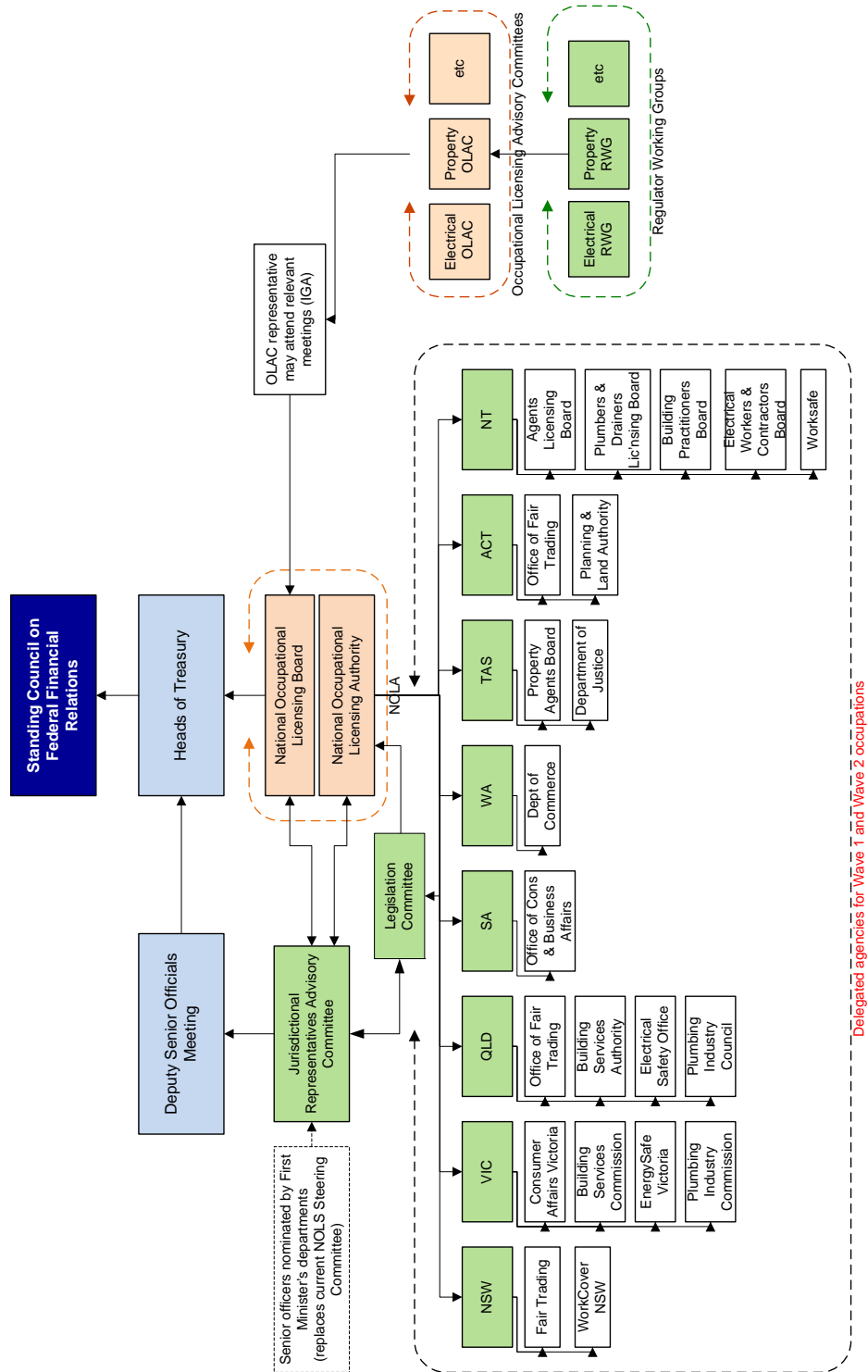
The Authority recommends several vital improvements that could reshape and improve this reform to bring about improved labour mobility across the nation.

High-level recommendations

- **Identify the appropriate COAG forum e.g. the Legislative and Governance Forum on Consumer Affairs, as the ministerial council responsible and the single owner and advocate for the National Occupational Licensing System.**
- **Ensure that the finalisation of the policy positions for the National Licensing System wave 1 occupations is given ministerial and parliamentary priority, so that implementation can commence and national benefits can accrue.**
- **Ensure that responsibility for all policy development and implementation is vested in a single national body (the National Occupational Licensing Authority), to avoid stakeholder confusion and dilution of policy direction.**
- **Introduce a single licensing database (the national licensing version of the NSW Government Licensing System) for all jurisdictional regulators to use, from which the National Licensing Register is generated.**
- **Harmonise existing conduct requirements as a matter of urgency for the wave 1 occupations and include conduct in the national licensing package for each of the subsequent occupations.**
- **Introduce consistent national licensing fees that adequately reflect the costs of administering the licensing legislation, for all national occupational licences.**
- **Beyond wave 1 implementation, integrate future occupations one at a time, to enable maximum focus on stakeholder engagement.**

Appendix A NOLS Governance arrangements

Future NOLS Governance Arrangements



Implementation of NOLS for Wave 1 Occupations

