

## ABS SUBMISSION ON REGULATION BENCHMARKING

1 The animated discussion at the Benchmarking Workshop on 12 December provided useful insights to the debate about whether the regulation benchmark should provide an overall, aggregate measure of the regulatory burden on businesses, or limit focus to specific areas of priority interest.

2 We agree with the position taken in the draft report that such a robust overall measure based on sample surveys is not feasible. Indeed, any form of macro indicator presents difficulties, and may not be worth the cost. Thus the focus needs to be on less robust overall measures and/or more limited and targeted measures looking at particular aspects of regulatory burden. However, we also feel that in selecting near term options OBPR should try to avoid approaches that preclude broader or more robust measures being developed in future.

3 Regardless of the approach ultimately adopted, we believe that there are a number of factors which need to be borne in mind in the selection and design of indicators:

- a) A comprehensive stock take of regulations is essential. At a minimum this would need to be broken down by jurisdiction.
- b) Defining the reach of each regulation, in terms of the type of business it affects, is also essential. This is crucial to defining the reference population of businesses to be used in measurement, even if only a single form of regulation is at issue.
- c) Business demographics, which account for the various aspects of regulatory reach, would then be required. It should be recognised here that how a "business" is defined is a key issue (eg all ABNs? all registered companies?).
- d) Once the definition of a "business" is resolved, there are several potential dimensions to these business demographics that can be used to "stratify" the business population into smaller, more homogeneous groups. Ideally, each "reference business" as mentioned in draft report would be selected from one of these groups ("strata"). The following are illustrative of the types of information that would be required:
  - Industry. As some regulations impact on a narrow group of industries (eg regulations relating to fish catch) while others impact widely (eg. business income tax), there would need to be a fairly fine dissection of industries, possibly amounting to a 100-way classification.
  - Size. Some regulations only impact on businesses above a certain size, which might require a 4-way classification for micro, small, medium and large businesses.
  - Type of legal organisation. There would need to be a 2-way split, as incorporated companies are affected by ASIC regulation while unincorporated businesses are not.
  - Age. Businesses in their start up phase are affected by different regulations than those who are mature.
  - State. Businesses in different jurisdictions are affected by different regulations.
- e) The degree of precision and accuracy needed to evaluate regulatory alternatives needs to be clearly understood in using any specific indicator.
- f) Frameworks, concepts, definitions and standards need to be defined with some care if the benchmarking data from different sources or time periods is to be truly comparable. This

could be a constraint on use of the information, rather than setting prerequisites for compilation.

4 The ABS would be able to assist the Productivity Commission in several ways in developing such measures:

- In defining a business
- In the provision of business demographics data, on an annual basis if needed; and
- In providing methodological advice with regard to selection of reference businesses, data collection, statistical modelling and other measurement issues.

5 The ABS welcomes the opportunity to further discuss elements of this response as required.

Robin Slater  
Economic Statistics Group  
Australian Bureau of Statistics  
Ph: 0418 233 657

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