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Government of South Australia
Department of Trade and Economic
Development

COMPETITIVENESS COUNCIL INDUSTRY REVIEW

METAL MANUFACTURING

Final Report

Office of the Economic Development Board

August 2008

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1. Executive Summary

The Competitiveness Council was created in June 2006 to identify, develop and champion practical measures and reforms to enhance South Australia's competitiveness.

One of its key projects is to help the State Government meet the challenging target of reducing business 'red tape' by at least 25% or \$150 million by 30 June 2008. An important part of this process is a series of industry reviews involving close consultation with business owners and operators, industry representative bodies and key unions.

The aim is to identify logical and achievable ways to reduce the time and cost business owners currently spend in complying with State Government rules and regulations.

The Metal Manufacturing Review is one of the series of Industry Reviews undertaken for the Competitiveness Council, a sub-committee of the Economic Development Board. The review process is supported by the Department of Trade and Economic Development.

The review includes activities covered by the Australian and New Zealand Standard Industrial Classification (ANZIC) Codes as follows:

Division C – Manufacturing

- Subdivision 22 - Fabricated Metal Product Manufacturing
- Subdivision 23 - Transport Equipment Manufacturing
- Subdivision 24 - Machinery and Equipment Manufacturing
- Subdivision 25 - Furniture and Other Manufacturing

Latest available ABS data shows that at the end of June 2006, a total of 96,800 people were employed in the South Australian manufacturing industry.¹ Machinery and equipment manufacturing accounted for 33% (or

¹ ABS Manufacturing Industry Australia 2005-06, Cat no. 8221.0

31,200 people) of South Australia's manufacturing employment. Its share far exceeded that of food, beverage and tobacco manufacturing, the second most important manufacturing industry (both in employment, sales and service income and industry value added), followed by metal product manufacturing. Between 2001/02 and 2005/06 employment figures in the metal product manufacturing had remained stable (13,400 and 13,800 respectively) but industry value added in that sector had increased from \$710 million to \$1183 million, an increase of 66% over four years.

Concentration of the motor vehicle and part manufacturing and electrical equipment and appliance manufacturing industries in South Australia is mainly responsible for its shares of national sales and service income (14%), wages and salaries (13%) and employment (13%) for machinery and equipment manufacturing.

The main objectives of the review are to:

- 1) Identify steps that the State Government could take to:
 - reduce the compliance burden on business (e.g. by simplifying regulations and licences currently causing the biggest problems), and;
 - remove or reduce any unnecessary, overlapping, repetitive or inconsistent regulations.
- 2) Identify ways in which technology could be used to reduce red tape and simplify business relationships with State Government.

Issues relating to Commonwealth and Local Government regulation are not technically within the scope of this review (Attachment 1). State taxes and levies – and related policy issues – are also outside the scope of this review.

2. Background

The Competitiveness Council received a submission dated May 2007 from the Engineering Employers Association of South Australia on red tape.

At its meeting on 29 August 2007, the Competitiveness Council commissioned a review of the metal manufacturing industry.

3. Methodology

The review team met with EEASA to discuss the review and to seek a list of business operators to be approached. EEASA subsequently decided to prepare a submission on behalf of its membership.

In addition to EEASA, five industry associations were contacted. The review received written submissions from EEASA and the Furnishing Industries Association of Australia. The review team contacted around 20 businesses. The relevant unions the Australian Manufacturing Workers' Union-SA Branch and the Australian Workers' Union (Greater SA Branch) were invited to contribute to the review.

The review team used a prescribed set of questions as a starting point when discussing the review (Attachment 2).

An Industry Review Reference Group was appointed. It comprised:

- Mr John Rau MP, Convenor
- Mr Raymond Garrand, Chief Executive, Department of Trade and Economic Development (DTED)
- Mr Peter Siebels, Chairman of Partners SA for KPMG, representative of Business SA
- Mr James Rock, Engineering Employers Association of South Australia (EEASA)
- Mr Tony Circelli, Environment Protection Authority SA (EPA)
- Ms Susan Lee, Small Business Development Council

A number of relevant Government agencies provided responses. They included:

- Department of Transport Energy and Infrastructure (DTEI)

- Department of Further Education, Employment, Science and Technology (DFEEST)
- SafeWork SA, Department of the Premier and Cabinet
- Department of Justice
- Environment Protection Authority (EPA)
- Department of Trade and Economic Development (DTED)

Some issues raised by respondents were not referred to agencies for a response as the matters were outside the scope of the review, or the information provided was inaccurate or no longer applicable.

4. Issues raised

4.1 Environment Protection Authority (EPA)

Issues:

- EPA has been unable to satisfy licensees that licence fees are set on a 'cost recovery' basis
- Compliance costs are substantial
- More targeted or risk-based approaches could reduce costs and be more effective

Discussion:

A number of respondents expressed concern that EPA licences were not based on cost recovery, which would reflect the degree of regulatory effort required to issue and enforce those licences. It was asserted that compliance costs represent substantial administrative burdens on industry and that a targeted or risk-based approach could both reduce costs and be more effective in achieving the desired outcomes.

Costs include providing information to inspectors or auditors, record keeping, preparation time for visits/inspections and accompanying inspectors on visits.

Over the past three years, the EPA has reviewed the way in which licence fees are set and has developed a new licence fee structure-based on the

principles of user pays and polluter pays. This new structure has been implemented and as at 15 August 2008, 150 licences have been issued under the new structure. It was developed to minimise the cross-subsidisation of industries and to reflect higher fees for those industries that take up a significant amount of the EPA's time and resources to manage and/or emit large quantities of pollutants to the environment.

Throughout the development of the new fee structure the EPA consulted extensively with an industry reference group, licensees, peak industry associations and the community. A number of significant changes were made to the initial fee model, based on input and comments received by stakeholders.

Since 2005, the EPA has continued to implement an organisation-wide program to improve its efficiency and effectiveness. This has included the development of key performance indicators, service delivery expectations and organisational benchmarking (using the Australian Business Excellence Framework).

The EPA is supporting the work being coordinated by the Productivity Commission to benchmark regulation across State Governments and the Australian Government.

The EPA undertakes external consultation with industry operations using various methods to identify concerns about its regulatory approach. This consultation includes targeted workshops, customer surveys and feedback mechanisms for audits.

The EPA has recently implemented a number of new systems and processes that focus on using a risk-based approach to managing licences.

The first of these is the Industry Compliance Auditing System (ICAS). The EPA uses compliance audits to assess the extent to which an individual or organisation is complying with its legal and environmental requirements. The

benefits of the ICAS include the agency being able to run target audit programs for specific industry sectors or activities which, in turn, provide the EPA with information to assist in managing these areas consistently and rigorously. The EPA has found that this systematic process enables it to provide relevant, up-to-date information to licensees to help them better understand their licence requirements and manage their own sites.

The second initiative is the implementation of an integrated, risk-based approach to managing licences which will ensure they are more outcome-focused and developed to manage the risks identified on a particular site.

The EPA is currently undergoing a review of regulatory burdens placed on industry and is developing and refining systems such as those described above to ensure that it is reducing these wherever possible.

Government Response:

The South Australian Government has agreed to the following:

- Implementation (July 2008) of the EPA's new licence fee structure, based on the principles of user pays and polluter pays.
- The EPA's continued support for the work being done by the Productivity Commission to benchmark regulation across State Governments and the Australian Government.
- Promotion of the EPA's new systems and processes that focus on using a risk-based approach to managing licenses.
- The EPA's use of the findings of its review of licensing to streamline administrative processes and reduce time taken to process licence applications wherever possible. A report on progress is expected by 30 September 2008.
- The EPA ensuring that future fees and charges are in line with best practice.

4.2 *Managing Regulation*

Issues:

- Establishment of a Regulation Commission.
- A requirement for regulators to report on their performance
- Improved Standard of Regulation
- Inter-governmental cooperation on Regulations
- Publication of enforcement policies
- Longer term licences
- Risk-based approach/enforcement and penalties
- Timely processing of administrative functions and public reporting
- Review of fee setting

Discussion:

A range of issues were raised which could be grouped together under the banner of 'managing regulation'.

It was recommended that a detailed audit of regulation should be undertaken on the basis that systematically and comprehensively measuring the burdens – and setting specific reduction targets – might usefully form part of a regulatory reform program in South Australia. It was recommended that regulations should be set out in a consistent format.

It was recommended that comparisons be made with other States, Territories, and countries with respect to the administration of particular areas of regulation (and/or the regulation itself). It was suggested that Government should commit to a Lean program and be prepared to enforce the findings on the basis that this would significantly improve service and achieve substantial financial savings.

It was suggested that a periodic report much like those prepared by the Victorian Competition and Efficiency Commission be produced and that a Commission or its equivalent could set about identifying approaches to improve the efficiency and effectiveness of the regulatory environment. The

Commission should distinguish between major business regulators and others.

Respondents also suggested that individual aspects of regulation be assessed and that these should include: risk management practices; enforcement strategies; performance indicators; interstate counterparts; permits; licences; registration; mandatory insurance requirements; online activities and small business support. Where a regulator requires industry to perform to a requisite standard, the regulator itself should properly be scrutinised to similar standards.

Measures to manage or reduce the overall compliance burden might include:

- Implementing a culture of continuous improvement in reducing compliance costs.
- The adoption of a bottom up design towards compliance tasks – a regime where the starting point for regulation should be aimed at a simple small to medium sized enterprise (SME) and then scaled up according to the higher level of complexities of larger businesses.
- The use of Regulation Impact Statements or similar.
- Reservation of time in the State Parliamentary calendar for the consideration of improvements to the regulatory environment through changes to legislation.
- Following an initial audit, rationalisation of existing regulations including the removal of superfluous regulations that are rarely used.
- Mandated insertion of sunset clauses to all subordinate legislation, effectively enforcing a periodic review.
- A requirement that any new regulatory proposal may only be introduced where an existing regulation is to be repealed or amended.
- A requirement that all regulatory proposals with a potentially significant impact on business undergo a detailed cost benefit assessment process.
- Greater inter-governmental cooperation should be sought, where required, to streamline duplicated and overlapping regulatory standards.

It was asserted that where there are serious punitive measures for non-compliance, it is incumbent on regulators to publish their enforcement strategy. In addition, well publicised enforcement policies and/or prosecution guidelines, as part of an effective communication about a range of licences, are more likely to result in increased voluntary compliance in sectors where the consequences are most serious, such as OH&S and the environment.

Respondents said it was important that there was timely review of 'critical decisions' in a range of areas. For example, the requirement under food regulations for a business to immediately stop selling a food product, or cease dangerous production (noting that these decisions are necessary in some circumstances).

There was also a view that there could be substantial savings in administrative costs if licence periods were longer. Regulatory regimes could be made more effective by extending the term of licences, where appropriate, and in those cases making the renewal process more thorough.

It was suggested that a more risk-based approach might be to vary the term of renewals of licences based on assessed compliance, thus reducing the regulatory burden on those who comply and simultaneously creating incentives for those that have made limited efforts to improve their compliance. Respondents asserted that without active enforcement those businesses devoting effort to compliance were placed at a competitive disadvantage compared with those that did not. Further, targeted enforcement focused on poor performers reduces the adverse impacts on those that are compliant, thus strengthening incentives for better performance.

The consequence of insufficient risk focus in targeting inspections means that unnecessary inspections are carried out on low risk businesses and necessary inspections may not be carried out on higher risk businesses. It was asserted that a frequent complaint of business is the timeliness of regulatory processes. Many regulators do not publicly report on issues such

as delays in processing and granting approvals. Uncertainty about these approval times can impose substantial costs on business.

It was suggested that there should be a comprehensive review of the way fees are set for various regulatory processes (for example EPA licences) as currently this can be difficult to ascertain.

The SA Government is committed to reducing business 'red tape' by at least 25% or \$150 million by July 2008. All agencies are required to have red tape reduction plans incorporating targets of a dollar value. Industry reviews are a part of the red tape reduction strategy.

In addition the Council of Australian Governments (COAG) has established a working group on the topic of business regulation and competition to:

- Accelerate and broaden the regulation reduction agenda to reduce the regulatory burden on business.
- Accelerate and deliver the agreed COAG regulatory 'hot spots' agenda.
- Further improve processes for regulation making and review, including exploring a national approach to processes to ensure no net increase in the regulatory burden, and common start dates for legislation.
- Deliver significant improvements in Australia's competition, productivity and international competitiveness.

Government Response:

The South Australian Government has agreed to the following:

- Actively participate in the COAG Business Regulation and Competition Working Group.
- Vigorously pursue its commitment to implementing earlier COAG reforms including through:
 - improvements to regulatory gatekeeper mechanisms;
 - impact analysis and measuring compliance costs; and
 - working with the Productivity Commission on its benchmarking study into the compliance cost of regulation.
- Consider an audit of all regulation.

4.3. Transport SA Chain of Responsibility – Road Transport Compliance and Enforcement Act

Issue:

- Under new provisions in the Road Transport Compliance and Enforcement Act businesses that do no more than order goods have been drawn into the 'chain of responsibility' and can be held liable at law.

Discussion:

New provisions in the Road Transport Compliance and Enforcement Act 2006 require that all parties in the transport supply chain (from consignor to receiver) take responsibility to ensure safe transport. It is asserted this acts as a further impost on business and decreases South Australian competitiveness on the global stage. (Road Transport Compliance and Enforcement Act 2006) The review was told that businesses that do no more than order goods have now been drawn into the 'chain of responsibility' and can be held liable at law.

The purpose of the Road Traffic Compliance and Enforcement (C&E) legislation enacted under the Road Traffic Act 1961 (SA) is to ensure that all parties in the supply chain act responsibly so as not to cause others to adopt unsafe and/or inappropriate practices in order to comply with the requirements specified in their contracts. The legislation recognises that driver conduct is often controlled or influenced by the demands and actions of customers and other off-road parties, which can lead to deliberate or inadvertent breaches of the law. Manufacturers, primary producers, shipping agents or importers who consign or receive goods by heavy vehicle transport can now be jointly liable with a heavy vehicle operator or driver if they know or ought to know that a vehicle is, for example, overloaded. This is particularly the case if they profit from the overloading and fail to take reasonable steps to prevent it.

C&E laws aim to address significant road safety risks, with 250 deaths in 2004 as a result of crashes involving a heavy vehicle. Although the likelihood of an adverse crash involving a heavy vehicle occurring for an individual operator is rare, the likelihood of this occurring in Australia is almost certain on a weekly

basis. The costs borne by all Australians, for deaths and serious injuries in crashes involving a heavy vehicle, were around \$1.1 billion in 2002.

The C&E legislation requires that the parties in a position to do so exercise greater control over the road safety risks of heavy vehicle transport, and the costs associated with crashes. Those who fail to do so may be held accountable – rather than only drivers, and in some instances operators, as was the case prior to its introduction. The reform is concerned with fairer distribution of responsibility to those parties who are in a position to exercise some control over risks to safety.

4.3.1 Requirements of chain parties under the legislation

The requirement that all parties take ‘reasonable steps’, if there are any that can reasonably be taken, to ensure that other parties do not commit an offence is not absolute. The reasonable steps that should be taken will vary depending on the nature of the parties and their agreement, their knowledge and expertise, their working relationship, and the measures reasonably available to that business. The requirement to take ‘reasonable steps’ is consistent with existing obligations on all businesses under Occupational Health Safety and Welfare (OHS&W) legislation to take all reasonably practicable steps to ensure the health safety and welfare of persons at work. A heavy vehicle is deemed to be a workplace under OHS&W legislation and it is in the interests of all businesses not to create unsafe workplaces, particularly when this may directly affect the public who share the road with heavy vehicles.

The Government’s intent was not to impose onerous legislative obligations on parties in the heavy vehicle transport chain of responsibility. Rather a party in a position to control risks to drivers and public safety more generally has a responsibility to integrate ‘reasonable steps’ into its business practices to address safety and compliance within its operations.

The transport industry is addressing the requirements under C&E by making it clear to their customers that they will require them to ensure their contractual

requirements are lawful under C&E and do not impose unfair or unreasonable risks on operators and drivers. As a result, firms such as Coles, Woolworths and IGA are setting up mechanisms that demonstrate their compliance with the law.

Consistent with the national laws, the Road Traffic Act 1961 now also makes provision for the registration of industry codes of practice. Compliance with such a code will assist in demonstrating that industry has taken reasonable steps.

Transport operators are adopting accreditation schemes which involve setting up business rules and policies, along with training, to demonstrate that they are taking reasonable steps to ensure they comply with the law. Such schemes are subject to independent audit to confirm their suitability and compliance. The National Heavy Vehicle Accreditation Scheme (NHVAS) is a national Government-sponsored accreditation scheme and Trucksafe is an industry best practice scheme, which automatically provides operators with the reasonable steps defence. National accreditation reviews point to significant savings for businesses associated with safer work practices linked to accreditation.

Under C&E it will become normal practice for all parties in the supply chain to provide documented assurance of compliance to the next party in the chain. For example, the consignor may provide the freight forwarder with a certificate regarding the delivery times, mass of goods consigned etc, and the freight forwarder may provide an appropriate certificate to the transport operator who, in turn, provides a certificate to the driver detailing the delivery times, mass of goods loaded onto his truck etc. This is similar to OHS&W requirements for documentation, training etc.

It is a matter for the metal manufacturing industry to establish appropriate contractual relationships with their transport operators to ensure compliance with the requirements of the C&E laws.

Government Response:

The South Australian Government has agreed to the following:

- The Department of Transport, Energy and Infrastructure (DTEI) will continue to work directly with both industry and business to ensure that affected parties are aware of their obligations and responsibilities.
- DTEI will monitor the operation of this national legislative initiative.

4.4 Fees on Business Acquisitions**Issue:**

- Paying fees on business acquisitions in South Australia makes the State less competitive when compared to other jurisdictions

Discussion:

The review was told that, in the area of business acquisitions, South Australia is less competitive than other jurisdictions because fees are paid on business acquisitions and that this is not the case elsewhere.

The actual situation is that all jurisdictions except Victoria impose duty on the realty component of business acquisitions. All jurisdictions have agreed to abolish duty on the non-realty parts of business acquisitions. South Australia is ahead of some jurisdictions in terms of phasing out this duty.

Government Response:

- South Australia is in a similar position to all jurisdictions except one in relation to duty on the realty component of business acquisitions.

5. Construction Industry Training Levy**Issue:**

- Consideration whether a construction industry training levy is needed

Discussion:

A question arose as to the relevance and ongoing value of the Construction Industry Training Fund levy. The levy is collected from each construction project with an estimated value over \$15,000. The annual training program is responsive to community needs.

In accordance with legislation, the Construction Industry Training Board (CITB) is responsible for the management and administration of the Training Fund. The Board also advises the Government through the Minister for Employment, Training and Further Education on training and skill development needs within the industry.

The Board is tripartite and made up of five employer nominees, three employee nominees and two Ministerial nominees. Four statutory advisory committees to the Board consist entirely of industry representatives and provide advice from the industry on all aspects of the Board's operations. This includes key policy advice to underpin the Board processes for the funding allocations needed by the various industry sectors and included in the Board's Annual Training Plan.

The Board develops the Training Plan in accordance with the views and input of the industry and through the policy deliberations of its statutory committees. The Plan is approved by the Minister who has the right under the Act to request the Board makes changes to it.

The Board expends approximately 45% of its annual budget on training for existing workers and approximately 65% on training for new workforce entrants i.e. apprentices and trainees. The recruitment and training of apprentices is a particular focus of the Board, given the ageing of the current workforce and ongoing concerns about skills and workforce shortages. During 2007/08, the Board provided training subsidies to approximately 2300 apprentices.

The Board's Contingency Program supports training in areas of skills shortage, in regional locations and for trainees who might otherwise fall outside the 'eligible worker' status. Its Innovation Program funds the skilled immigrant Initiative, heritage trades support and mature-aged worker retention. Recognition of prior learning in existing workers is funded to get skills on line in the shortest possible time.

The Board's *Doorways 2 Construction* (D2C) program within schools is a particular success story universally applauded within industry, the community and the education and training sectors. D2C now operates in approximately 80 schools across South Australia and has been taken up by other States and territories. It now operates in a D2C2, Stage 2 version.

The Act and the activities of the Board have been reviewed twice since inception. The latest review in 2004 indicated 'overwhelming endorsement across stakeholder groups for a legislated levy, the purpose of which is to apply levy proceeds for training in the industry as directed by an industry led Board with the Act widely seen as presenting a powerful unifying influence and a mechanism for bringing coherence to the differing sectors of the building and construction industry. As a consequence the review recommended the Act should continue in existence'.

Government Response:

The South Australian Government has agreed to the following:

- The Department of Further Education, Employment, Science and Technology to provide (by 30 September 2008) an evaluation of the effectiveness of the Construction Industry Training Levy in meeting the needs of industry (matching skills with demand) with reference to achievement of objectives.

6. Training

Issue:

- Training schemes are seen as complicated, with no suitable courses offered. In-house training is preferred to Government schemes

Discussion:

Some respondents felt that gaining access to Government training schemes was too difficult and therefore not worth the time and effort required. They expressed the view that because no suitable courses were offered it was easier and simpler to provide in-house training.

The introduction of an electronic interface between the Commonwealth and South Australian traineeship and apprenticeship systems in 2004 resulted in a significant improvement in efficiency and turnaround times for training contract approvals. DFEEEST is engaged in the continuous improvement of the traineeship and apprenticeship system and is currently developing a business case for an e-business management and reporting system (Phoenix) that will improve the timeliness and transparency of decisions which impact the business community. This includes re-engineered business processes aimed at providing stakeholders with a more streamlined and efficient service. It will significantly reduce red-tape costs to business and create e-business solutions that will reduce the time for DFEEEST in the processing of applications related to employers, training providers, trainees and apprentices, group training organisations, Australian Apprenticeships Centres, and the Commonwealth (DEEWR).

The Phoenix project incorporates an information portal which will provide access to a range of information tools and resources for all stakeholders within the training system. The Phoenix project team has already established reference groups for all relevant stakeholders.

Government Response:

The South Australian Government has agreed to the following:

- DFEEST will work with consumers, business and government to establish a training portal where interested parties can easily find appropriate information and nominated contact persons to meet their training needs.
- DFEEST will promote (as an alternative to institution-based training) the development of in-house and online training in response to the expressed needs of industry.

7. Online Transactions

Issue:

- All business-related services and functions should be available online to complement traditional means of communication.

Discussion:

Participants argued that all business-related functions that can be online should be online. Online transactions/provision of information should complement – and not be a substitute for – readily accessible information via more traditional methods.

The development of on-line whole-of-government resources could assist both new and existing businesses to navigate the State's regulatory system such as the Business Licence Information System and the Business Masterkey project.

The Office of Small Business (OoSB) provides all information online and offline. The Business Licensing Information System (BLIS) cannot be maintained in hard copy because of its volume and frequent changes. OoSB provides hard copies of BLIS information on specific topics on request.

The Competitiveness Council secretariat, in collaboration with the Office of the Chief Information Officer and the Justice Portfolio, has engaged a consultant to develop a business case for implementing an integrated online licensing and permit system across Government. As a related initiative, the Justice

Portfolio is developing a pilot project, Justice Integrated Business Solutions (JIBS), for a potential whole-of-government solution.

Agencies are continuing to develop online capability while retaining the option of hard copy.

Government Response:

The South Australian Government has agreed to the following:

- All agencies (by 30 September 2008) are to report on progress in providing services online and indicate timeframes for maximising provision of services online.

8. Business Names Registration

Issue:

- Businesses operating in more than one jurisdiction would support a national system for business names registration and trade licensing.

Discussion:

One respondent operating in more than one jurisdiction strongly recommended that there be a national system for registration of business names and licensing. Different rules and requirements are particularly frustrating when a business operating in one jurisdiction acquires a business in another. The respondent said he did not care who ran the system, so long as it was universal, applied consistent rules and was efficient in its administration.

A number of initiatives currently being modelled by the States and Commonwealth have been considered by the Small Business Ministerial Council for presentation to COAG. The Office of Consumer and Business Affairs is the agency that manages Business Name Registration and Trade Licences.

Government Response:

The South Australian Government has agreed to the following:

- South Australia will continue to actively participate in appropriate forums –including the COAG Business Regulation and Competition Working Group – in support of a national system for registration of business names and trade licensing.

It has been noted that COAG has asked the Business Regulation and Competition Working Group to bring forward an implementation plan for a seamless, on-line national registration system for Australian Business Numbers and business names to its meeting in October 2008.

9. Thinker In Residence**Issue:**

- South Australia needs to consider more creative/innovative ways to develop the economy and to reduce red tape

Discussion:

One participant recommended the use of a person to conduct a pilot ‘Creative Mind Unzipping Workshop’ to reduce red tape. Subsequently, a proposal nominating three possible ‘Thinkers’ was forwarded to the Chief Executive of DTED for consideration. It was suggested that this Thinker could help the State develop in creative/innovative industries and find further solutions to reducing red tape. The Centre for Innovation could provide advice regarding the proposal.

Government Response:

The South Australian Government has agreed to the following:

- DTED will develop a proposal for a Thinker In Residence in the areas of creativity/innovation/red tape reduction.

10. Grants via Centre for Innovation

Issue:

- The application process for Centre for Innovation (CFI) grants is too complicated

Discussion:

Participants felt that the amount of work involved in applying for a relatively small grant (up to \$20,000) through the Centre for Innovation made the exercise not worth the effort.

In early 2007, the Centre for Innovation (CFI) introduced two grant programs, the Innovation Commercialisation Grant and the Innovation Development Grant, to promote the development and commercialisation of new products and services by SA companies. As this was the first grants program administered by the CFI, staff were careful to ensure that appropriate guidelines and procedures were established. Payment of grants required Ministerial approval. It is recognised that CFI erred on the side of caution and this resulted in frustration for some applicants because of the time taken to process the grants.

Following the 2007 grants round, guidelines and processes were reviewed and simplified (in consultation with CFI staff and applicants) resulting in a potentially quicker process. Appropriate checks and balances for spending public money have been retained. It is expected that as a result of these changes, business will notice a significant improvement in the 2008 funding round.

Government Response:

The South Australian Government has agreed to the following:

- The Centre for Innovation will promote its grants scheme to industry, with the simplified application/approval process.

11. Occupational Health and Safety Regulation

Issues:

- Complexity and quantity of regulation
- Changes to regulation
- Overlap of regulations

Discussion:

Occupational Health and Safety and Welfare (OH&S) regulation is described as the most frustrating and confusing area of Government regulation (in particular for businesses that operate across State boundaries). Laws are seen as inordinately complex and lacking clarity. Such complexity and confusion is exacerbated through inconsistency in regulatory design, approaches, systems and administration between the States and Territories.

Existing schemes were said to 'directly and unnecessarily increase operating costs, dampen productivity and constrain business success'. Issues include:

- The quantity of regulation. There are multiple sources of regulation on the same topics.
- The quality of regulation. This varies across jurisdictions but in almost all cases requires the employers 'duty of care' to be interpreted as an almost absolute duty on employers and designers to meet performance-based obligations.
- Frequent changes to regulation result in it being 'practically impossible' for many businesses to keep pace with often obscure changes.
- Requirements for form filling, written reporting and data collection.

Companies operating nationally are prejudiced by a lack of national consistency in OH&S schemes.

The review was told that OH&S legislation was becoming increasingly onerous. The threat of penalties for non-compliance is now greater, with increased financial penalties pending. There has also been a recent increase in the pursuit of breaches and the achievement of convictions. Industry contends that, in an economic climate that is affecting business negatively,

these issues are all the more difficult for compliance cost/affordability reasons. It argues that in order to comply, owners are having to work longer hours to fulfil all requirements – to their own detriment.

The former Minister for Industrial Relations, the Hon. Michael Wright requested the establishment of a business efficiency committee under the SafeWork SA Advisory Committee. The Committee's role is to work with the Legislative Development Committee and contribute advice and information about opportunities for reducing red tape and regulatory impacts on business. This must be accomplished while taking full account of the Government's objectives in occupational health, safety and welfare, including its desire to participate actively in the national reform process.

SafeWork SA conducted the OHS&W Regulation Review led by the same committee. Approximately 30 submissions were received, providing information about real everyday experiences encountered by business and workers in relation to health and safety in their workplaces. These submissions will inform and shape a balanced approach towards red tape reduction while protecting people from work injury, illness and death.

At its meeting of 3 July 2008, COAG signed an agreement to implement nationally consistent Occupational Health and Safety laws, through development of model legislation, by 2011.

Government Response:

The South Australian Government has agreed to the following:

- SafeWork SA will report OH&S red tape reductions via its agency red tape reduction plan by 30 June 2008.
- The Business Efficiency Committee, under the SafeWork SA Advisory Committee, will identify measures to reduce the compliance burden associated with record-keeping for OH&S.
- South Australia will actively seek greater national consistency in OH&S regulation through the mechanisms endorsed by COAG.

12. WorkCover

Issues:

- Removal of Bonus/Penalty scheme
- Premiums should be based on risk assessments
- Access to information is difficult

Discussion:

One participant noted the intention of WorkCover to remove incentives in the system, saying that removing incentives is 'like adding red tape'. The Bonus/Penalty scheme provides the only mechanism by which registered employers are able to minimise their levy costs. As one respondent told the review: 'The possible loss of the Bonus/Penalty scheme under WorkCover takes away any satisfaction achieved from persisting through some red tape, in order to gain a reward/benefit.' It was also asserted that increased costs have negated the benefits of having achieved bonuses under the Bonus/Penalty scheme.

Another respondent felt that WorkCover premiums should be based on a risk assessment of the industry and that low-risk industries, with minimal risk and claims, should have low premiums. The review was told that compliance with WorkCover is seen as daunting for small business.

The view was expressed that it is difficult to get reports from WorkCover and this hampers efforts to analyse and plan improvements. It was suggested that it would make sense for employers to have online access to their own data.

Minister Wright announced a review of the South Australian Workers Rehabilitation and Compensation Scheme on 29 March 2007. The legislative review considered what can be introduced or changed to improve the underlying performance of the WorkCover scheme and improve the return to work process for injured workers to ensure it is cost competitive for business.

Government Response:

The review established that the Bonus/Penalty scheme was retained by WorkCover. A requirement for a formal review of the revised WorkCover legislation was an amendment made to the WorkCover Bill which was recently passed in the SA Parliament. It will be conducted as soon as practicable, as directed by the Minister, after 31 December 2010.

13. Payroll Tax Administration**Issue:**

- Differences between jurisdictions add to regulatory burdens

Discussion:

A participant operating in more than one jurisdiction found that having to deal with different rates and thresholds was seriously burdensome.

States and Territories are working on an initiative to harmonise administration of payroll tax. This was agreed under the States Payroll Consistency Project, which involves the adoption of common payroll tax administration provisions and definitions for: timing of lodgement; vehicle allowances; fringe benefits; work performed outside a jurisdiction; employee share acquisition schemes; superannuation for non-working directors and grouping of business.

Government Response:

The South Australian Government has agreed to the following:

- A Bill seeking amendments to remove redundant provisions from various State revenue legislation (the *Statutes Amendment and Repeal (Taxation Administration) Bill 2008*) has been introduced to Parliament.

ATTACHMENT 1: ISSUES NOT WITHIN THE SCOPE OF THE REVIEW

Planning and Development

Issues:

- Development Assessment Process is slow and unhelpful
- Procedural delays extend process when Environment Protection Authority is involved
- Slight omissions can result in inordinate delays
- It is difficult to obtain guidance in advance regarding what is likely to be acceptable

Discussion:

Participants found the development assessment process slow and unhelpful. They said planning could be cumbersome and confusing, particularly where hazardous processes were involved and EPA approval was required. Procedural delays then extended project lead time considerably.

Business owners have observed what seems to be extreme focus on “dotting the i’s and crossing the t’s such that even slight omissions result in inordinate delays for amendments and alterations. It can be difficult to obtain clear guidance in advance from councils or other authorities as to what is likely to be acceptable..

On 19 June 2007, the State Government announced the State Planning and Development Review. The Review was directed by a small, independent steering committee, reporting to the Minister for Urban Development and Planning, the Hon. Paul Holloway MLC.

Michael O’Brien MP Parliamentary Secretary to the Premier is chair of the steering committee. The committee membership includes members from the Economic Development Board, two representatives from local government and a planning law expert.

The main objectives of the review, and the resulting reforms, are to:

- Establish SA as the most competitive place in Australasia in which to do business;
- Improve the performance, timeliness, certainty and accountability of the planning system – in both State and Local Government arenas; and
- Review the role and responsibilities of Planning SA and Local Government within the overall planning system.

Issues that were raised as part of the consultation process for this review were passed on to the steering committee and considered as part of the Planning Review.

Government Response:

The South Australian Government has undertaken the State Planning and Development Review. The report was released in June 2008.

The EPA has improved its turnaround time for development assessment referrals, reducing the average from 32 days to 27 days.

ATTACHMENT 2: REVIEW QUESTIONS

Review of Metal Manufacturing Industry

The State Government has set up the Competitiveness Council to propose initiatives to improve South Australia's national and international competitiveness, and to lead efforts to achieve the State Government's goal of reducing red tape by 25% or \$150 million by July 2008.

The Competitiveness Council is implementing a series of industry reviews to consult with industry in identifying practical initiatives for red tape reduction. .

The Competitiveness Council Secretariat is keen to talk with a number of industry associations and businesses in a search for red tape reduction ideas. The discussions are confidential and no individual business details will be divulged in future reports.

These are some of the questions that the Competitiveness Council Secretariat would like to ask participants in the metal manufacturing industry:

1. Which regulations and licenses cause your business the biggest problem? In particular,
 - a. Which regulations are most difficult to comply with?
 - b. Which regulations are most costly to comply with? This could mean financial costs as well as the time and effort it takes to comply with regulations, like record keeping and reporting.
2. Which regulations/licences could be removed or reduced because they are unnecessary, overlapping, repetitive or inconsistent?
3. What would you like the State Government to do to reduce red tape for your business?
4. How hard is it to find information to set up or expand a business?
5. For those businesses who operate nationally, how does South Australia's regulatory burden compare with other states and territories?