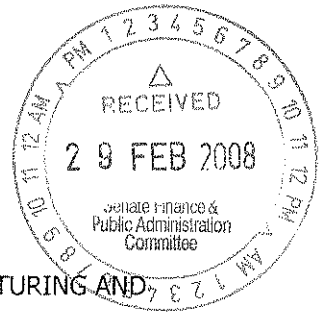


From: Carol O'Donnell

Sent: Friday, 29 February 2008 9:48 AM

To: Regulatoryburdens@pc.gov.au ; Committee, State Finance (SEN);

Subject: SUBMISSIONS TO REVIEW OF REGULATORY BURDENS IN MANUFACTURING AND
SELECT COMMITTEE ON STATE GOVERNMENT FINANCIAL MATTERS



Dear Sir/Madam

**Review of Regulatory Burdens – Manufacturing and Distributive Trades AND
Select Committee on State Government Financial Management**

In the interests of effectively joined up government, which is vital for the reduction of the Australian regulatory burden, I provide the following comments to the Productivity Commission (PC) Review of Regulatory Burdens in the Manufacturing and Distributive Trades and also to the Senate Select Committee on State Government Financial Management. I address the following terms of reference respectively:

'Present reforms that will enhance regulatory consistency across jurisdictions or reduce duplication and overlap in regulation or in the roles of regulatory bodies (PC)

'Present and future ownership structures of current and former state owned utilities and the impact of ownership on investment capacity' (Senate).

I address these terms of reference through discussion of policy direction in relation to sustainable development, which may be led by large polluters in energy and manufacturing. This discussion therefore directly concerns those in current discussions on implementation of the Inquiry into Electricity Supply in NSW (Owen 2007) and has related implications for all manufacturers and distributors reliant upon the privatization outcome. The recommended direction is addressed in the attached responses to:

- Garnaut Climate Change Review Paper 4 entitled, 'Research and Development: Low Emissions Energy Technologies'.
- Garnaut Climate Change Review Paper 2 entitled Financial Services for Managing Risk: Climate Change and Carbon Trading

The suggested direction seeks to meet Garnaut's Terms of Reference by addressing:

The economic and strategic opportunities for Australia from playing a leading role in our region's shift to a more carbon-efficient economy, including the potential for Australian to become a regional hub for the technologies and industries associated with global movement to low carbon emissions; and

The costs and benefits of Australia taking significant action to mitigate climate change ahead of competitor nations

In its submission to the Australian House of Representatives Standing Committee on Economics, Finance and Public Administration inquiry, which produced a report entitled 'Australian Manufacturing: Today and Tomorrow' (July 07), Bluescope Steel stated one of its major priorities is 'ensuring greenhouse gas regulations do not make

Australia's steel industry uncompetitive'(p.2). Bluescope also pointed out that China is the world's largest producer and consumer of steel and is naturally a major polluter. The ACTU submission repeatedly stressed the importance of Australian industry progressing 'up the value chain'. In this context, the National Greenhouse and Energy Reporting Bill may be regarded as an opportunity to replace a great deal of dysfunctional regulation in a way which creates freer, more stable, more informed markets and better skills development.

Although 'Australian Manufacturing: Today and Tomorrow' (July 07), referred to its abhorrence for government financial support strategies which attempt to 'pick winners', such strategies are commonly supported by government and used in practice. Examples include the report's discussion of Export Marketing Development Grants (EMDGs), research and development tax concessions, and the case of venture capitalists. It appears that many of those in manufacturing, no doubt like many academics, feel that hopelessly competing for comparatively small amounts of money is a waste of organizational and related government time and money. For example, the Australian Steel Institute noted:

'I have heard quotes that it costs you \$100,000 to get \$95,000. There is a balance between due diligence with government funds and getting it to the right people. (p.164)

The attached submissions discuss ways of cutting all such related and dysfunctional bureaucratic costs, through more scientifically rational, regionally coordinated, industry and community identification and prioritization of problems which may be solved by innovation aimed at more sustainable development. This is the same process by which many other unnecessary regulatory costs may also be substantially reduced.

For example, the Senate inquiry into the National Greenhouse and Reporting Bill (2007) noted that there are fifteen commonwealth, state and territory programs with greenhouse and energy reporting requirements. This is an opportunity for an investigative baseline audit of major polluters to establish a unitary scientific foundation for carbon pricing and permit trading and for better industry and community based innovation and development systems in the future. Without this, trading to improve sustainable development performance will be highly speculative, with all the associated high risks and costs.

The Department of Climate Change Regulations Policy Paper entitled 'National Greenhouse and Energy Reporting System' (Feb. 2008) should first be adopted as an industry code of practice and an audit of the greenhouse gas emissions of large polluters should be undertaken to consider the adequacy of the current directions of the National Greenhouse and Energy Reporting System Discussion Paper entitled 'Technical Guidelines for the Estimation of Greenhouse Emissions and Energy at Facility Level (Energy, Industrial Process and Waste Sectors in Australia) (Dec. 2007).

A more informed, freer, and more competitive market can then be ushered in by big polluters with government, industry and community help. Ideally, the government will provide the big polluters with an appropriate number of carbon permits, which

have a scientifically identified monetary value. The permit issue is ideally designed and managed to control inflation and to attain more open, scientific, stable, and competitive market operation, through industry activities related to control of greenhouse gases. Polluters can choose either to reduce their greenhouse gas emissions at the business source, or invest in the control of emissions identified in surrounding communities.

The recommended regional, industry and community direction can also help the NSW Premier and others to rid themselves of a variety of feudal relations which place unnecessary costs upon consumers, in order to maintain their historically controlling but dysfunctional privileges. More open and scientific approaches to carbon permit design would enable many legal, bureaucratic and academic cost reductions to occur in future. A competitive, social insurance model of investment would also increase market stability.

My article entitled 'From the Constitutional Past to the New Educational Ideal' which is also attached, was recently published in 'Public Administration Today', the journal of the Institute of Public Affairs of Australia (Oct.-Dec.2007). It discusses related but broader Australian national and international directions and the dysfunctional legislation which inhibits this direction. Sustainable development requirements are opportunities to break with this narrowly irrational feudal past to gain more scientific and competitive approaches to achieving development in all industries and communities. Please lead this.

Thank you for the opportunity to make this submission to your inquiries.

Yours truly
Carol O'Donnell