

Baillieu needs to move on reform

[Economics & Deregulation](#), [Deregulation Unit](#) and [Energy](#) | [Alan Moran](#)



Herald Sun 14th October, 2011

Nobody is accusing the Baillieu Government of intemperate haste in rectifying the Bracks-Brumby era's unrestrained spending programs and regulatory excesses.

In real terms, between 2000 and 2010, Victoria's government spending increased by 57 per cent. We got scant value from this, thanks to ballooning public service numbers and a wasteful infrastructure program, including the desalination plant and the Sugarloaf pipeline.

The Productivity Commission estimated excess costs from Labor's water policies at \$3 billion, though it also said the Baillieu Government's regulatory proposals for water recycling were excessively expensive.

The first Baillieu Government budget failed to reverse Labor's swollen government spending. Though it claims to have made \$500 million of savings, the bottom line is a 5 per cent increase in this year's spending.

And the Premier has telegraphed only a gradual reduction in public service numbers, which account for half of government operating expenses.

As well as excessive spending, a plethora of new regulations characterised the Brumby years.

Federally, Julia Gillard has boasted about her Government's additions to Australia's regulatory thicket. But even she would balk at US Congressman Keith Ellison's claim that regulations create jobs because businesses have to hire people to help them comply. In fact, forcing firms to incur costs destroys jobs. It undermines efficiency, competitiveness and customer value.

The Victorian Labor government advocated deregulation policies, but failed to deliver. Its regulatory control agency, the Victorian Competition and Efficiency Commission, claims to have brought in annual savings in regulatory costs of \$90 million.

If accurate, this represents a decent return on VCEC's \$4.5 million costs. But even if the \$90 million contains no creative accounting, it is small change in Victoria's \$300,000 million economy.

Moreover, regulatory rollbacks were overwhelmed by a cascade of new regulations, many having fictional benefits.

This is clearly true of the \$1807.6 million benefit dreamed up to justify the Brumby government's Victorian Energy Efficiency Target (VEET) regulations that force higher energy appliance costs on to consumers.

The Baillieu Government is considering abandoning the VEET and has already used planning regulations to impede new, high cost wind farms. But it has also doubled consumers' requirements to use high cost renewable electricity.

Ted Baillieu has announced a 25 per cent target for cutting red tape, but the target has no accompanying implementation program.

A wafer-thin majority is one rationale for moving cautiously on over-spending and over-regulation. But change is more difficult the longer things are left.

Jeff Kennett faced down strikes and protests from unions and public servants whose privileges were threatened. His radical reform program provided the economic base that did much to cushion the misgovernment of the Bracks-Brumby years.

Many agree with the Governor of the Bank of England that the world is on the cusp of the worst recession in 80 years. The states and countries that cut back on superfluous spending and costly regulations will fare best in such conditions.

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