

## THE AUSTRALIAN

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# Fair toss of the pancake - 'only in Australia' elephant in the room

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**FANCY a pancake? Well, you can't have one. Because they don't exist.**

Or so says Biosecurity Australia, formerly the Australian Quarantine and Inspection Service.

The startling revelation comes in response to an application by food manufacturers Simplot, best known as producers of the Chiko Roll. With Australians turning from Chiko Rolls to sushi rolls as their snack of choice (what are they thinking?), Simplot sought a replacement in "Pancake Pods", an American delicacy composed of two pancakes with a sweet filling.

But importing a test run of this Lucullan feast requires regulatory approval; and only the products defined on a list can be approved. As pancakes do not figure (pakoras, yes, panforte, bien sur, but pancakes, alas, no) the pods have, for regulatory purposes, been reclassified from Being to Nothingness.

What does not exist can hardly be permitted; and with anything not permitted necessarily prohibited, Biosecurity Australia's "Get thee behind me, Aunt Jemima!" has saved countless Australian consumers from global gastronomy's satanic wiles.

But regulators' efforts to shield us from the bacchanalia of temptation hardly stop there. Rather, as a study just released by the Australian Food and Grocery Council shows, with an alphabet soup of agencies controlling what we may or may not buy, our celebrated inventiveness in devising restraints that would make Sacher-Masoch drool has been given free rein.

Who but an Australian regulator could have developed rules requiring information to be displayed on the front of food items, guaranteeing entire forests would be destroyed as the conundrum of identifying the front of a bottle consumes endless reams of paper?

And where but in a sunburnt country could the powers that be have determined that suntan lotion sold in containers smaller than 300 millilitres should be regulated by one agency, while the same lotion sold in larger containers would be regulated, quite separately, by another?

Yet the laudable goal of ensuring that no Australian regulator will live in poverty comes at considerable cost. And rarely are those costs higher than in our rural industries.

Regulatory burdens absorb some 15 per cent of revenues for farm businesses, two to three times international best practice.

And far from positioning Australian agriculture for rapidly growing world markets, "only in Australia" requirements stunt its competitiveness.

Our product labelling laws, for example, are so idiosyncratic that it is usually illegal to sell Australian food products in the US. The restrictions on additives and residues are even more distinctive, imposing, for instance, a "gluten free" threshold one-sixth that common elsewhere.

And worse seems set to come, with unprecedented rules requiring local manufacturers to highlight the

risks consuming their food products may pose of obesity.

At the same time, our international obligations mean food products can be imported which a domestic producer would not be allowed to supply.

For example, products from New Zealand, which wisely prefers to model its agribusiness regulation on that of major export markets, are allowed free entry into Australia despite their more pragmatic standards. Little wonder food processing is rapidly migrating across the Tasman.

All these are symptoms of a regulatory system that faces too few incentives to act sensibly. After all, were regulators forced to pay firms to meet regulatory goals, the costs of securing whatever outcomes the agencies are pursuing would be apparent; but so long as compliance can simply be imposed by diktat, those costs will be both shifted and hidden.

With regulators not bearing the costs they cause, they produce more regulation than they should, just as too many pollutants will be released if doing so is underpriced.

But the problem is even graver than that, for many agencies can charge levies on firms to recover the costs of devising, imposing and enforcing regulations.

That makes generating red tape a self-financing venture in empire-building. And with appeals mechanisms typically inexistent or ineffective, regulators are all too often a government without an opposition, freed of the checks and balances on which good governance relies.

As for the constraints governments have sought to impose on regulatory elephantiasis, they have proven to be very weak reeds. The Hawke, Keating and Howard governments mandated ever more stringent guidelines for the cost-benefit analysis of proposed regulations; but the gap between theory and practice yawned uncomfortably wide.

Kevin Rudd and Julia Gillard, who were scarcely inclined to fret about principles, lost no time in thrashing them entirely.

Moreover, even when they are taken seriously, those guidelines only apply incrementally: they test each regulation as it comes, focusing on the flow while ignoring the overall stock. The result is a hull encrusted with the barnacles of previous rules, inflicting unnecessary costs to achieve long-forgotten purposes.

Spare a thought, then, for Josh Frydenberg, the parliamentary secretary Tony Abbott has tasked with promoting regulatory reform. Barely settling into the job, Frydenberg last week outlined an ambitious agenda in a speech to the Sydney Institute, with commendable plans to revitalise the evaluation of regulation, develop "a new conception of acceptable risk", and cut \$1 billion a year in red and green tape.

But Frydenberg needs to remember we have heard this before. And experience shows little will happen unless the compulsion to regulate places tangible costs on its addicts. At the moment, it doesn't; and until agencies are forced to live within tightly defined regulatory budgets that first cap and then progressively reduce the aggregate costs each agency is allowed to inflict, the temptation to regulate first, evaluate (perhaps) later will prove irresistible.

"The greatest concern of a good government," wrote Tocqueville, "should be to gradually accustom its citizens to do without it." Ours do the opposite: their regulatory habit *redux* encourages Australians to seek regulatory solutions to all issues. Left unchecked, the outcome will be an economy as flat as a

pancake - and as attractive as a Chiko Roll.