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Towards Better Local Regulation - Productivity Commission releases draft report

Regulation touches almost every aspect of our lives and is vitally important in shaping the welfare of communities and the performance of the economy. The Productivity Commission has released a draft report, *Towards Better Local Regulation*, looking at the opportunities to improve regulatory performance in local government.

The report examines the relationship between local and central government, who initiates regulations and how the costs and benefits of regulation are distributed. It includes a stocktake to identify which regulatory functions are carried out on the direction of central government and which are carried out independently by local government.

Commission Chair Murray Sherwin said that the huge diversity of size, geography and economic make-up between councils has an impact on their regulatory needs and capabilities.

"We have 78 local authorities ranging from Auckland with almost 1.5 million people, down to some very large rural districts with quite low populations. For around 65% of our local authorities, their entire population would fit comfortably into the permanent seating of Auckland's Eden Park."

"With this diversity, a key issue is how to find a balance between national consistency in regulation, versus local decision making. The Commission undertook a survey of 1,500 businesses, and found that 70% deal with only one local authority. National consistency matters for a small number of businesses who deal with multiple authorities and require consistent standards in each location. An issue under review is whether and when requirements for national consistency are best managed by centralising regulatory functions, and when they may be resolved by better coordination and cooperation between local governments."

"There is a well-established general principle that regulatory functions should be performed closest to the community that is affected, unless there is good reason to centralise. Ideally, costs and benefits of regulation should remain within the same jurisdiction. Exceptions to this will be where regulations can benefit from economies of scale, avoid duplication of effort, or where smaller councils do not have the capability to carry out these roles."

"To help guide how regulatory responsibilities should be assigned, the Commission is looking at the factors which should be considered when designing a regulatory system in which all parties are playing to their strengths. One element that is clear is that close and constructive engagement between central and local government is essential in the design of effective and efficient regulation, where it is intended that local government be responsible for implementing the regulation", said Mr Sherwin.

The draft report raises a number of questions for comment. The Commission is seeking submissions to test the draft findings in order to deliver a final report by 1 May 2013.

This work was commissioned to contribute to the Government's 'Better Local Government' initiative and is point six on the eight-point programme to improve the legislative framework for New Zealand's councils. The Commission has been asked to develop principles to guide decisions on which regulatory functions are best undertaken by local or central government; identify opportunities to improve the regulatory performance of local government; and recommend options for regularly assessing the regulatory performance of the local government sector.

Approximately 80 stakeholder engagement meetings have been held during the first phase of the inquiry, and 59 submissions were received in response to the Inquiry Issues Paper published in July 2012. The Commission undertook two surveys, one of local governments in New Zealand and the other of 1,500 New Zealand businesses from a cross-section of industries. Results from the surveys have been used to help inform the draft report, along with analysis of Statistics New Zealand data.

The draft report, inquiry submissions, and survey results are available on the Commission's website www.productivity.govt.nz or by contacting the Commission on 04 903 5150. Submissions on the draft report are invited by 6 March 2013.

About the New Zealand Productivity Commission

- Established April 2011.
- An independent crown entity with a dedicated focus on productivity.
- The Commission carries out in-depth analysis and research on inquiry topics selected by the Government.
- The Commission's aim is to provide insightful, well-informed and accessible advice that leads to the best possible improvement in the wellbeing of New Zealanders.

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