

Because all regulation is distorting, the pinning down of one price or one corner of the market inevitably leads to a distortion elsewhere and the need for further regulation.

Continual intervention today also suffocates the technologies of tomorrow. The innovators and their backers should find, develop and utilize new technologies that will offer more and cost less. Government wants our industry to take a lead in this.

But if companies know that there is a permanent prescriptive mindset, then they cannot undertake research and development with confidence. They know that the rewards from their risk-taking and expenditure will be regulated away by controls. So they won't innovate here. They will do it in more friendly jurisdictions. Australia will be a residual and late beneficiary rather than a creative leader.

ONLY DEREGULATION WILL HELP

At present we have a severe attitudinal problem among the regulators. It is a propensity to control this highly creative sector in detail and to limit the reward for effort or creativity, rather than let the market sort out the inefficiencies.

The Government is doing nothing to correct this. Indeed, government both reinforces the attitude and itself uses telecommunications as a social policy tool at the expense of the industry and its customers. Telecommunications is a performing milch-cow.

A lighter hand on the tiller, directed at real abuses, would allow more and faster industry development and elimination of activities lurking inefficiently in regulatory shelters. A return to the generic competition provisions of the *Trade Practices Act* would simplify the régime and provide sufficient protection against abuses.

Jim Hoggett is a Senior Fellow with the IPA.

IPA

Food Police Are At It Again in Victoria

STEVE CLANCY

VICTORIAN roadside food sellers and fruit and vegetable markets will soon be squeezed further by ever-increasing regulation. The Victorian Department of Human Services (DHS) is spearheading an initiative requiring all food businesses to submit a detailed Food Safety Programme (FSP) annually. The regulation is similar to voluntary quality standards such as ISO9000 and FQS2000. The detailed FSP must be lodged with local Government on the next annual food business registration. Further to this, the business must submit to an annual audit by a third party or local council.

Easy enough, until one actually sits down and reads an 'official template' of the FSP. The DHS has produced an 81-page document which goes to absurd lengths to regulate businesses into operating 'the proper way'. All measuring devices are to be calibrated annually, and mid-year testing (including buckets of ice and pots of boiling water) is described for the benefit of the reader. A detailed log must be kept whenever a business decides to thaw out sauce. The business should keep a thermometer at hand to go inspecting the insides of delivery trucks and delivered packages (keep it logged, remember). The enterprise must also keep a detailed log of when every piece of 'high risk' food has passed through

a 'danger zone'—right before they throw the food away (log that too).

The onerous new requirements will be policed by the municipality in which the business resides. Ballarat City Council, for example, will be charging an annual registration fee of \$275 for lodging and maintaining the required FSP, although the fee may vary from shire to shire. Possible penalties for not complying are substantial: \$5,000 for the first offence, and \$10,000 for each subsequent breach of the regulations. This sort of heavy-handed approach, while typical of an over-active bureaucracy, is daunting for most small food businesses.

The reasons for the drastic new requirement are almost non-existent. The DHS could only point to the much-publicized Kraft Peanut Butter and Garibaldi food contamination cases. Yet these businesses already had food safety programmes in place that paralleled the DHS plans. Victorian Farmers Federation Horticulture President, Terry Burgi, 'does not know of any major health scares from roadside sellers'. Mr Burgi fully supports safety, but questions the risks associated with roadside seller and growers. He feels that the DHS may be targeting fresh food markets, while the other States are sitting on their hands waiting to see the mess Victoria gets into.

When pushed as to why the regulations were being imposed

with no major reasons, the DHS bluntly said that the regulations 'were 6 to 7 years in the making'. The DHS contact could not even point to any readily available impact statement about the regulations. These new requirements are of major concern to many food businesses, so an impact statement should have been the least that the DHS could do to recognize possible implementation issues. It would appear that the DHS has simply ignored the real-life concerns of Victorian food businesses. Such an oversight will most probably result in businesses leaving the industry.

Sensible public policy dictates that before a regulation is imposed, there must be some major causes for the regulation, and that an appropriate study must be done on the costs and benefits of the regulation. The DHS has apparently done neither. What then, was the DHS's big reason for pushing the regulations? 'Because we're better than the other States' was the answer provided by the department's contact.

Victoria's DHS may be 'better' than the rest of Australia, but not yet ready with the details of the new requirements. In a rush to push the Food Safety Programme onto the public, the department has neglected to tend to the fiddly things; such as implementation issues regarding definitions and procedures. Ballarat Chartered Accountant Ian Bell said that it was difficult to consult with growers on the issues raised in the regulations, because the DHS has not yet finalized many of the details.

One organization particularly affected by the sweeping new requirements is the Melbourne Market Authority. This statutory body, based in Footscray in Melbourne's western suburbs, is composed largely of small growers/wholesalers. The FSP concerns them because most of the marketers have difficulty in reading and writing English. Many of the market occupants are of Chinese and Vietnamese descent, and a substantial portion do not speak a word of English. The DHS has not offered any assistance with the practical concerns of implementation.

Most commentators within the debate recognize that most major food businesses already have appropriate food safety plans in place. This is not the case for many of the smaller food businesses. Yet, while not being able to implement a robust ISO9000-type programme, many small players have begun to develop their own quality programmes. This sort of spontaneous order approach to the food business is not what a bureaucracy such as the DHS wants. In their attempt to impose an impractical, cumbersome, ill-fitting uniform code to the food industry, the DHS has left many small businesses behind. The DHS is tilting at windmills. And removing hundreds of fresh food suppliers from our economy for no reason is definitely not a 'human service'.

Steve Clancy is a Student Intern with the Institute of Public Affairs.

I P A

Economic Freedom

Over the past five years, Australia's economy has proven to be both robust and resilient. It has, despite the Asian crisis and a rolling recession in Japan, produced high levels of growth in outputs, jobs and exports.

The pundits are predicting that the good run will continue, with Australia expected to produce the best set of growth numbers in the developed world over the next year.

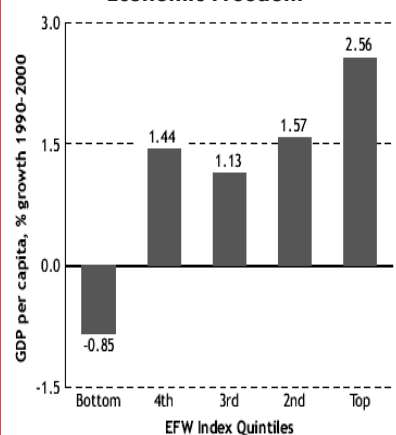
Why? Well, the answer in large part is contained in the latest Economic Freedom of the World Report.

In 1975, Australia ranked a lowly 16th out of 70 nations rated in that year. As result of policies designed to open the economy to trade and investment, reduce government regulation and ownership, reduce inflation and restrain the growth government spending, Australia's economic freedom rating improved and, by 2000, ranked eighth out of 123 nations.

As shown in the Chart, the movement from a second-ranking to the top rank of free nations, as Australia has done, gives a country's growth rate a real boost.

In short, our new-found economic strength can, in large part, be put down to the pursuit of economic freedom.

Economic Growth and Economic Freedom



More details can be found at the Free the World Website:
<http://www.freetheworld.org/>