Get out of your own way
Unleashing productivity in the construction and development sector
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Deloitte is passionate about building a prosperous Northern Territory. We were excited by the opportunity afforded to us by the Construction and Development Advisory Council (“CDAC”) to contribute to the debate by facilitating a far reaching red tape reduction review in the construction and development sector.

The ‘prosperity equation’ required to build a better Territory is pretty simple: either we get a bigger share of our population working, or we help our workers become more productive. The first part of that equation does not give us many options as we already have the lowest unemployment rates in the country and are struggling to attract skilled workers to our region.

In order to achieve the latter, we firstly need to overcome a raft of regulatory and cost challenges that result in the biggest single drag on the Territory’s economy: red tape.

The growth of red tape is a two-fold problem – caused by both government bureaucracy and self-imposed rules by the private sector.

Red tape consumes substantial resources in compliance activity, stifles innovation and reduces productivity. This requires a balanced approach to delivering a regulatory framework that focuses on both performance and compliance. This does not mean that rules are not necessary – we need to strike a balance between risk mitigation and providing businesses with incentives for investment and innovation.

Taking a long, hard look at the Northern Territory’s regulatory environment and slashing unnecessary red tape in the construction and development sector will reduce the cost and complexity of doing business. It will also free individuals to innovate more, encourage them to take the risks needed to build wealth, and allow us to say that we’re truly ‘open for business’ in the Territory.

Getting out of our way won’t just unleash business productivity in the construction and development sector – it will unleash the Territory.

Hendri Mentz
Managing Partner, Darwin
Deloitte Northern Territory
The Territory has a problem – and its colour is red ...

Red tape, that is. We need to free our economy from the stranglehold it has on the Territory’s productivity.
The story in a nutshell

We have a problem. In recent years, economic growth has been stimulated by a combination of higher commodity prices, increased workforce participation and productivity growth. These factors have contributed to above average growth in living standards in recent decades. This is all about to change.

There is no questioning that the share of the population in employment will continue to decline as the ‘baby boomers’ retire. Commodity prices have already begun to fall which is quickly removing the primary driver of economic growth in recent years. The Northern Territory, and Australia as a whole, is facing an impending decline in the growth in living standards.

The good news is that there is a rich source of barely tapped efficiency savings we can turn to: setting better rules for ourselves. The even better news is that this bucket of productivity potential is much bigger than most people realise.

A $350 million cost
Red tape can be a great power for good. After all, a world without rules would be anarchy. Yet past decades have seen new rules proliferate. The construction and development sector has not been immune from this trend.

We conservatively estimate the cost of this burden to the construction and development sector in the Territory to be at least $350 million a year.

Time is money, and our survey of businesses shows that the time required for employees to comply with the rules in the construction and development sector has become a crippling burden. Middle managers and senior executives are chalking up 8.5 hours a week complying with the rules and regulations, with other staff spending 5 hours. Ouch.

All up, the impact on the Territory’s prosperity is massive, given that this sector contributes roughly $4 billion in total value to the Northern Territory economy. It equates to 10 per cent of that total being lost to red tape.

Where rules don’t exist, we create them. Where they already do, we make more. They overlap, they contradict, they eat our time and they weigh us down.

The real annual cost of rules in the industry
- $280 million to administer and comply with public sector rules
- $70 million in government costs to administer and manage regulatory compliance
- Unquantifiable losses from forgone incentives, enterprise and innovation
Part II

Our challenge

$350M
Why is this important?

Living standards affect each and every Territorian. They comprise everything from our income, to our ability to take holidays, as well as factors such as health, life expectancy, environment, and air pollution.

In short, almost everything you care about on a daily basis.

There are only three drivers that effect big changes to living standards:

- The world gives us a pay rise
- A bigger share of our populations works
- Our workers become more productive.

Recently, the slowdown in global demand for our exports, combined with increasing supply, means that the price Australia can ask for its exports has fallen – resulting in an effective nation-wide pay cut.

Additionally, a large proportion of our workforce is reaching retirement age, meaning that a growing share of Australians will be out of the workforce. This problem is exacerbated in the Territory due to the challenge of attracting skilled people to live in our region.

In the decades to come, the only big driver we can influence is productivity. If we don’t create and facilitate productivity growth, it will become much harder for us Territorians to continue to enjoy the strong growth in living standards we have become accustomed to.

Territorians will experience little growth in living standards until we tackle some much-needed economic reforms.

Chart 1: Drivers of growth for Australia’s living standards
The biggest barrier to productivity

Why we have rules
Regulations are a way in which society sets rules for itself – everything from ‘thou shalt not kill’ to ‘thou shalt not put fresh nuts on cakes baked for the school fete’.

Governments and businesses alike are correct to value rules. After all, rules make life more predictable, and predictability helps organisations do all sorts of things, including:

- Plan amid complexity and uncertainty
- Ensure consistency
- Improve the health and safety of workplaces
- Reduce the risks of incompetence and corruption
- Ensure all employees are treated fairly
- Reduce legal exposure
- Reduce risks to systems and processes.

The explosion in rule making
So, rules are important. But it is possible to have too much of a good thing, and it’s no surprise we all whinge about red tape: the volume of private and public sector driven regulation has grown at an unprecedented pace in recent years.

Rather than weighing up costs and benefits, we often institute new rules with little or no thought as to whether those rules are really needed, or even whether they are consistent with other rules we already have in place.

Crushing our productivity gains
This red tape phenomenon is a serious impediment to increasing productivity in the Northern Territory. As the amount of rules and regulation continues to proliferate, the cost of compliance continues to grow. This has the potential to cripple any productivity gains.

Imagine the cost savings to the construction and development sector if compliance processes were streamlined and unnecessary rules were removed. Contemplate the savings to the Territory Government if the time taken to administer regulation was significantly reduced. Envisage the re-invigoration of incentive, enterprise and innovation across our economy in the North. But most importantly, imagine what could be achieved with the cost and time savings that could flow from a rich source of barely tapped efficiency savings.

Our goal is to avoid being seen to stuff up, rather than assessing just how much that ‘stuff-up insurance’ costs.
The eminence of construction and development sector

Why this sector is so important
The construction and development sector is currently the most prominent sector in the Northern Territory economy. In 2014, the industry contributed 21% of the total value added to the Territory economy as shown in Chart 2. That is equivalent to $4 billion in a $21 billion economy. Territory’s construction industry directly employed 15,000 people in 2014 and fostered a wide range of indirect employment in associated industries.

Construction in the Northern Territory falls into the three categories, dwelling investment, private building and structure investment and engineering construction investment.

The relative sizes of each of these are shown in Chart 3. Over the last three years, engineering construction has grown rapidly due to the development of the Northern Territory’s non-rural commodities. Engineering construction is by far the largest component of construction investment in the Territory at the moment.

Chart 2: The importance of construction in the Northern Territory

![Chart showing the output share of economy for different sectors including Construction, Mining, Public Administration and Safety, Health Care and Social Assistance, Rental, Hiring and Real Estate Services, Transport, Postal and Warehousing, Manufacturing, Professional, Scientific and Technical, Education and Training, Retail Trade, Administrative and Support Services, Financial and Insurance Services, Agriculture, Forestry and Fishing, Electricity, Gas, Water and Waste Services, Wholesale Trade, Accommodation and Food Services, Information Media and...,
Future growth is drying up

The future outlook of the Northern Territory construction and development industry is plateauing. Major infrastructure projects are winding down and the rampant investment of recent years is slowly drying up.

Chart 4: Northern Territory construction sector growth

Slashing red tape within the construction and development industry coupled with an emphasis on increasing productivity will have to be a major focus for the Territory in the coming decade to stimulate activity in the sector.
Calculating the cost of rules

The $350 million challenge
So what are rules really costing Territory businesses and families? In this section, we dive more deeply into our cost estimates, and come up with some truly startling figures.

Estimated at around $350 million, the cost of red tape in the Northern Territory construction and development sector based on time spent on regulation alone is considerable.

Red tape can be externally imposed on a business—usually from the Territory Government and Local Councils—or imposed from within the private sector organisations itself—self-imposed regulation.

Further, there is an administration cost and a compliance cost associated with every piece of regulation.

Compliance costs include the cost of employees complying with the regulation, while administration costs include the cost of staff administering the regulation.

There are also efficiency costs which account for the lost activity which could have occurred if the time spent on administering and complying with regulation was spent on a more productive activity.

Given the difficulty of accurately measuring efficiency costs, this is not included in the $350 million annual figure.

Chart 5: The annual cost of rules to the Northern Territory construction industry

Cost in $ million

External regulation  Self-imposed regulation  Efficiency cost of regulation
The estimated costs of the first four of these categories to the Northern Territory construction and development industry are shown in Chart 5. At around $280 million a year, compliance costs make up the vast bulk of these costs.

Chart 6 shows what this means in terms of time for each employee. The average senior executive spends 8 hours a week complying with external regulation and a further 4.5 hours a week complying with internal regulation. This equates to a third of a week or over 1.5 days a week. Middle managers spend even longer, with an average of 8.8 hours a week spent on external regulation and a further 4.9 hours on internal regulation. On average, employees across Territory’s construction and development sector spend 5 hours per week complying with regulation.

**Chart 6: Average hours spent per week complying with regulation in the construction sector**

The key drivers

For the Territory construction and development sector, the cost of externally imposed red tape is about 80% higher than complying with internal regulations. This is in contrast to the Australian economy as a whole, where the cost of externally imposed red tape is around 40% lower. This difference was not unexpected given the dangerous nature of work in this sector and the long lasting footprint of buildings on the environment and society, in general. As a result, these rules often relate to occupational health and safety requirements, undertaking environmental impact assessments and land use and planning restrictions. While many of
these restrictions provide benefits to the community (for example, environmental protection), it is imperative that regulations are designed and implemented in the most efficient and effective way. This means that costs are reduced to a minimum, while at the same time, the community benefits of regulation are realised.

**The good, the bad and the ugly**

**Chart 7** below shows industry perspectives on the effectiveness and value of different external regulations. The amounts shown are weighted by the time spent complying with the regulation. 58% of externally imposed regulation was considered worthwhile by construction sector employees, while the remaining 42% is considered to be unnecessary or of low value.

By focusing on reducing or removing low value or unnecessary regulation, the Territory economy could benefit from the improved efficiency of reduced regulation while still maintaining the benefits that worthwhile and well implemented regulation provides. As a guide, removing these regulations could reduce the cost of regulation on the construction sector by around $145 million per year. Further savings could also be realised by implementing the 34% of worthwhile regulation better.

The abundance of rules and regulations is hampering not only innovation and creativity, but also the productivity of our workforce. There’s a monster out there.
Efficiency costs of red tape

Notably, the estimates presented in this report are likely to understate the true cost of red tape in the construction and development sector as they do not include efficiency costs.

Efficiency costs are those costs which arise from lost activity or the underutilisation of inputs. An example of how efficiency costs arise would be a construction company unable to work on a building site because they are waiting for government approval while still having to pay wages for their idle employees or hire costs for machinery and equipment such as cranes. This means a cost is incurred by the company for no benefit.

The impact on every Territorian

All this red tape can have flow on effects through the economy. For example, increased costs in the construction of housing are passed on to the end user of the house. This pushes up prices for home buyers, possibly making the dream of home ownership harder.

The estimated additional cost per dwelling in the Territory caused by red tape is $16k. This really hurts, especially for first home buyers who already find it tough to enter the housing market.

Escaping the mess

It’s a mess. But it needn’t be.

We’ve long known how to set good rules, as well as which traps to avoid.

The public sector has a tradition of thinking about its rule-making, and has an awareness that it can do better. Yes, you read that right – the Territory Government is trying. Indeed, the establishment of CDAC and the Department of Business’ Red Tape Abolition Squad are really great examples of just that.

But we still have a long way to go.

This report identifies the key means by which bureaucracy hurts the construction and development sector’s efficiency, its profits, and ultimately the Territory’s households.

For the Territory to be truly ‘open for business’, individual organisations need to unlock the profit potential they have tied up in red tape. That’s why the focus of this report is to discuss strategic steps which the Government can take to unleash productivity.

Following these steps will allow the Territory to generate extra performance while better controlling the risks that matter. In other words, we need to get out of our own way.
Each new dwelling in the Territory is wrapped up with $16k worth of public sector and self-imposed red tape!
How to get out of your own way
Getting the rules right

All Northern Territory businesses want to maximise their returns for a given level of risk. If they succeed, then so does the Territory, because increased returns lift productivity and generate the growth in living standards to which we’ve become accustomed.

Similarly, if the Territory Government sets itself the right rules, our economy will become more flexible and better equipped to deal with important risks.

Given that our public and private sector rules and regulations in the construction and development sector cost nearly $350 million a year in administration and compliance expenses alone, there are huge potential pay-offs here.

We can do better. In this section, we discuss how the Government can streamline and sharpen their rules to cut administrative and compliance costs while boosting the private sector capacity to take risks in pursuit of better returns.

To be clear, we don’t advocate that we operate without rules. Rather, we’re advocating using the right rules to keep organisations safe and on track, while preserving the freedom to do the things they want to do to achieve their goals.

The Cornerstones of good regulatory framework

We believe there are five cornerstones – the 5C’s – which enable good regulatory framework:

1. Certainty: Provide certainty to businesses
2. Consistency: Enable consistency in the application of rules and regulations
3. Clarity: Provide a clear set of rules and regulations to businesses
4. Cohesion: Enable cross-public sector collaboration with a focus on working together efficiently and effectively
5. Collaboration: Foster a culture focused on developing partnerships between the public sector and businesses.

Everyone needs to accept that creating growth is a shared responsibility. That is, businesses should focus on “doing”, while the government should focus on “enabling”.

Certainty  Consistency  Clarity  Cohesion  Collaboration
Dissecting the challenges

So, where do our challenges really lie?

To get to the bottom of this problem, CDAC asked us to conduct consultation with the broader construction and development industry across the Territory, including Government agencies and other relevant statutory bodies, and peak body organisations.

We set about this mammoth task through a range of different means, including:

- Held individual consultation sessions with key stakeholders from the private sector, Government agencies and statutory bodies to ‘detect’ the problems. And of course, we did our own homework on this too.

- Ran a workshop and design lab with CDAC members and key stakeholders from Government agencies and statutory bodies to ‘diagnose’ the problems and work collaboratively to ‘design’ potential solutions.

- At the same time, we also ran an industry wide survey to seek feedback from the nearly 900 registered residential builders and other stakeholders across the Territory.

From this, we saw some key emerging issues come to the surface. In the following section of this report, we tackle the key causes of the red tape in the construction and development sector. We also lay out the steps which the Government can take to streamline the regulatory framework. In order words, we share the collaboratively developed solution on ‘How to get out of our own way’.

We need to challenge the way think about the role of rules. Stop asking “What could go wrong” and instead ask “What must go right”.

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Industry feedback regarding

**What must go right**
- the objectives for the rules

- 29% Reducing uncertainty
- 23% Providing consistency
- 15% Meeting best practice
- 12% Work, health and safety
- 8% Limiting corporate governance risk
- 13% Meeting national standards
Long-term strategic planning is a big ‘enabler’ for the construction and development sector.

Of course, it really comes as no surprise that the construction and development industry in the Territory is crying out for stronger long-term strategic planning to be in place.

Uncertainty is the Achilles heel for any organisation – it brings about extra risk, which means more costs in terms of both time and valuable resources.

It is pretty straightforward, really. Stronger long-term strategic planning brings about certainty. This, in turn, allows businesses to manage risks more effectively. Indeed, it also gets rid of some of the unnecessary red tape and duplication boggling both businesses and the public sector.

Current state of play
Planning in the Northern Territory is driven largely by the Planning Scheme, which covers a whole raft of things.

In a nutshell, this includes:

- Policy statements for the use or development of land
- What’s permitted, prohibited or conditional in terms of use or development of land
- Guidelines and assessment criteria to help the consent authority assess development applications.

The Planning Scheme is intended to be supported by other policy documents, such as strategic land use plans. A large chunk of these plans are still being developed and completed by the Planning Commission. Even where they have been completed, the whole process is taking an exorbitant amount of time – you only need to look at the progress of the Katherine Land Use Plan which took more than 3 years to complete.

In short, we’re trying. But there is still so much ground to be made.
Issues and challenges
We face an uphill battle. The current planning regime in the Territory does not provide a lot of certainty to businesses and public sector, alike.

The industry tells us that this is a root cause of significant red tape affecting the entire development and construction process.

To start with, the planning authorities have minimal guidance as to how each development fits within the Territory’s long-term vision and development plans. This can delay the approval of new development projects.

This has a big domino effect. The lack of strong strategic planning directs a lot of development applications towards the Development Consent Authority, often resulting in a long-winded process involving multiple public service authorities from different tiers of Government. This weighs down and eats up valuable time and resources for the developers. And, let’s not forget the public sector too.

It does not just stop there. Different public service authorities are often forced to react to development requirements, rather than plan for them well in advance. This causes further delays as the service authorities are faced with incorporating unexpected development requirements into their own stretched financial budgets and internal resourcing.

To make things worse, we introduce more uncertainty by enabling Exceptional Development Permits (that is, EDPs) and spot rezoning. Sure, it’s a quick band aid fix at the development permit approval stage – but it often leaves service authorities hanging high and dry and forces them to be reactive. Ultimately, it often really causes more anguish at the back end of the construction and development. It also corners service authorities into being reactive, rather than proactively pre-plan for upcoming new investments and tackle them head on.

Then, there are also the unnecessary service authority objections and third party submissions, which can derail new developments and often cloud potential new investment into the Territory.

All in all, our forward strategic planning is in a state of vacuum. This snowballs into additional requirements being imposed on businesses, which brings about more uncertainty.

The lack of forward strategic planning means unnecessary delays and duplication through the entire development process, which amplifies costs. Ultimately, this cost is passed on to every Territorian.
How to get out of your own way
Is there a magic formula to fix the current strategic planning jumble? Yes, we think so.

It all comes down to providing certainty. To achieve this and send a clear message that the Territory is truly open for business, we need integrated long-term strategic planning to guide the orderly and better co-ordinated development of the Territory.

Collaborative commitment
So, where do we start?

A bipartisan commitment to long term strategic planning is absolute tablestakes.

The first ‘Meeting of American and European cities for the Exchange of Experiences in Strategic Planning’ in the mid 90’s is a really good example of how government and industry collaboration can yield great benefits in carrying out strategic planning processes.

At this meeting, it was demonstrated that if synergy is developed between the government and the private sector in doing strategic planning, it will improve resource management and quality of life.

Since then, this collaborative approach has been used prominently, particularly in the USA, Spain and Denmark.

Complete strategic policies
From there, the Territory Government needs to really drive forward integrated strategic plans from the highest level down. Clear land use plans for cities, towns, regional areas, new suburbs and significant developments will proactively sets the strategic framework for better integrated land use, transport and infrastructure planning.

We need to quickly move forward on completing the Darwin Regional Land Use Plan, Alice Springs Land Use Plan, Litchfield Sub-Regional Plan, and the Urban Densification Strategy.

Once we have these plans in place, we should not lose focus of the next level down. That means also completing the specific area plans for new suburbs, communities and significant developments. These plans are equally as important as the overarching regional land use strategic policies.

Review Planning Scheme
Let’s not lose sight of the fact that all of this strategic planning should coincide with a review of the current Planning Scheme. That presents an opportunity to refine the system so that the Planning Scheme is much more integrated with the core policy documents.

We really need the policy documents to guide the Planning Scheme. Where there are inconsistencies between the two, the policy document should prevail. Not the other way around – as they currently do.
Stronger long-term strategic planning will remove the need for Development Consent Authority involvement for a majority of low risk, low impact land uses.

To achieve this, the key objective of the review has to be to make more land uses permitted or self-assessable as captured in the land use tables for residential, industrial and commercial zones.

We need to move to a system where roughly 80% of the developments are permitted or self-assessable – and only 20% are discretionary. At the moment, we have it the wrong way around.

Even more so, the process involving development hearings, objections and submissions will be replaced with a simple development notification to the appropriate service authorities for permitted uses.

There are many efficiency gains to be made here.

**Tighten use of EDPs and spot rezoning**

The use of EDPs and spot rezoning should be limited to real ‘exceptional’ circumstances.

This means limiting EDPs to just existing defined uses where the proposed development would otherwise be unlawful under the Planning Scheme. Along with this, there needs to be a more rigorous criterion to ensure that these planning tools are used for their original intended purpose – and not abused to push through new developments.

This will remove uncertainty relating to EDP’s, including unplanned and unforseen infrastructure requirements and a disorderly development of the Territory.

A more certain environment will enable service authorities to proactively manage growth in anticipation by providing adequate infrastructure ahead of schedule. Being reactive will become a thing of the past.

**Infrastructure plans**

Long-term strategic planning will create consistent and more reasonable contribution plans for utilities and roads infrastructure, and car parking. Of course, it will also tell the construction and development community

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**Finalise Uniform Subdivision Guidelines reform**

Yes, the reform on the Uniform Subdivision Guidelines is already underway. But let’s give the draft document a bigger push to bring more certainty and transparency in the development approval and infrastructure process.

**Community consultation**

A strong strategic planning process, involving community consultation, will remove the need for a drawn-out approval process, including dealing with objections and submissions from multiple public sector and community stakeholders.

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**Discretionary uses should become the exception, rather than the norm. Permitted uses should rule the roost.**
how their contribution will form part of the Territory’s future vision.

This will remove significant anguish and unnecessary red tape that delays development and costs the Territory businesses time and valuable resources.

**Final thoughts**
Once we begin to address these planning challenges, we will see substantial portions of the development approval process simply falling away.

**The red tape that once existed will just become irrelevant.**

There will be substantial cost savings for the construction and development industry and the public sector, but also for the Territorians. This will be channelled to further investment and development and transformed into much needed productivity.

We think this process is fundamental to the development of a better Territory and should not be impacted as a result of political change.
Consistency in decision making goes hand in hand with certainty.

It’s simple to see why. Both are risk levers, which can ultimately result in more costs and use of resources for businesses in the construction and development sector in the Territory.

**Chart 10: Industry feedback regarding the importance of providing consistency**

90%

**Current state of play**

The construction and development sector appears to be in a state of confusion.

The industry tells us that this is because there are different interpretations of the same rules, guidelines, and standards by both the public and private sectors.

Astonishingly, this phenomenon goes beyond and extends to intra-governmental agencies and other statutory bodies.

Some agencies currently see themselves as acting as a reasonable check and balance against other agencies.

**Issues and challenges**

It is apparent that a big part of this problem lies with a lack of long-term strategic planning. A short sighted planning regime invariably accentuates the number of public sector organisations involved in the development permit and building approval process. Service authorities are forced to pay particular attention to every development application as each one may impact their own internal planning, budgets and resources.

**Consistency**

The other major part lies in the inconsistent messages that are being communicated by the public sector to Territory businesses.

And of course, this is amplified by the number of public sector organisations involved in the development and building approval process itself.

In turn, this often leads to different interpretations of the same guidelines and standards by multiple organisations.

It’s worth pausing for a moment to reflect and start asking some sensible questions here.
Why are a multitude of public sector organisations even involved – all of whom are using time and money to achieve virtually the same intended outcome?

This multiplicity in involvement invariably results in duplication and quadruplication. This is particularly so at the back end of developments. As an example, at the end of the development process, local councils, building certifiers, and the NT Police, Fire & Emergency Services can all come in and impose different requirements based on their interpretation of the same regulations, guidelines and standards.

This is also often when the unnecessary delays really hurt businesses badly in terms of both costs and resources.

**Clarity**

In some instances, guidelines and standards simply do not exist or are unclear – even to the Government agencies enforcing those rules. The industry has shared numerous instances with us where there is a clear lack of information regarding the rules, guidelines and standards.

As an example, fines are being issued for excessive dust on construction sites when there are no clear set standards or guidelines in terms of appropriate dust threshold levels.

Then, there’s the Water Sensitive Urban Design Strategy for the Darwin Harbour which is largely misunderstood and unclear to a lot of businesses in Territory’s construction and development sector.

What is a business to do?

**How to get out of your own way**

The construction and development sector needs robust well-oiled regulatory machinery to enable consistency in the application of rules and regulations. Any unclear rules, guidelines and standards need to be brought out of the woodwork and ‘fixed up’.

**Integrated strategic planning**

Long-term strategic planning will go a long way to resolving some of the key challenges. This will cut out some of the duplication in roles and responsibilities in the public sector too.

If more developments are classed as permitted, some of the service authorities’ involvement will simply become ‘tick and flick’.
Inevitably, this would also push us to a consensus on a single set of guidelines and standards across the Territory.

But this alone would not be enough. We would need to do more.

**Uniform Subdivision Guidelines reform**
The Uniform Subdivision Guidelines reform needs to be finalised as a matter of urgency.

This will give the businesses more consistency and clarity on the guidelines and standards. A uniform interpretation of the single set of rules will ultimately yield a much smoother development process.

**Clear set of NT specific standards and guidelines**
There needs to be a clear set of appropriate standards and guidelines adopted which are suitable for the NT environment.

In particular, we need to review the National Construction Code (NCC) and adopt the regulations and requirements which are appropriate for the Territory’s climate and environmental conditions.

Having an appropriate set of standards and guidelines in place will enable consistency in regulation and decision making.

**Holistic changes to the building certification system**
The building certification system is in an utter state of mess.

We need to truly deregulate the building certification industry. What we have right now is a half-baked solution.

Building certifiers need to be able to sign-off on every aspect of a completed construction. For example, there’s no reason that the NT Police, Fire & Emergency Services should need to intervene for fire certification.

This requires wholesale change and mandates a profession with the capability and integrity to undertake the necessary work to the highest standard. Professionals with quality training, education and work experience are essential as is an evaluation and accreditation system that provides confidence in the certification work performed.

The buck really needs to stop with the building certifiers. And there should be no hiding behind any government agencies.

With this, of course it is to be expected that stronger professional liability will be accepted by building certifiers. These tough decisions need to be made for the greater good of the Territory.
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Customer focused service delivery

Everyone needs to accept that creating growth and increasing productivity is a shared responsibility.

We see cohesion and collaboration as the key enablers in kicking this goal and letting Territory businesses ‘get on with it’.

Cohesion requires public sector organisations working together efficiently and effectively. Collaboration is all about fostering a culture focused on developing partnerships between the public sector and businesses.

We need businesses to focus on “doing”, and the government to focus on “enabling”.

Issues and challenges
Uncertainty within the development process equates to ambiguity and anguish for both industry and the public service authorities. This often produces late consultations with each other. The overwhelming message from the industry is that there is a clear need for early engagement with the relevant stakeholders.

Chart 11: Industry feedback regarding the importance of early engagement

92%

Current state of play
The construction and development sector is faced with a lack of certainty, consistency and clarity.

A by-product of this is a disjointed customer response from the public sector organisations. This causes more and more red tape.

The industry really needs and demands the public sector to work cohesively together as well as collaboratively with businesses to provide them with a richer customer focused service experience.

The other challenge faced by industry is that developers and builders as customers of the Territory Government must negotiate with a wide range of Government agencies and statutory bodies. Each with their own objectives, agendas, KPIs, contact points, websites, requirements, and processes.
In many cases, this is producing inconsistent and disjointed Government responses. At the same time, we’re creating a confused customer who cannot determine the status of their development, who to contact, or how each Government requirement really fits together.

There is no clear single point of information within the Territory Government for the duration of the development and construction process.

The wide range of processes and requirements for each public service authority means that there are often overlaps in roles, duplication in the documentation required, and inconsistency in the application of rules and regulations.

This un-coordinated public sector response equates to rules and regulations that are applied sequentially, and not concurrently.

This means that when one public service authority’s procedures are complete, the next one’s processes often begin.

All of this creates extra red tape and delays for the construction and development industry.
How to get out of your own way

Essentially, the Territory Government is an ‘enabler’ of enterprise and future growth through the creation and ongoing administration of rules and regulations.

Every organisation in the construction and development sector is the customer who operates within those rules and regulations to achieve and bring commercially viable investment and growth in the Territory.

To enable this, there needs to be a unified and integrated public service that administers the rules and regulations with the single objective to enable growth and productivity.

Customer service delivery reform

This will be achieved by placing the construction and development industry, being the customer, at the centre of all service delivery reform.

This needs to start with a clear understanding of the customers’ expectations to drive the design of the customer experience and future services. Efficiency gains for both customers and the public sector should be the key driver.

The customer service experience and related processes should be designed to achieve overriding outcomes:

- Central customer accounts, reducing unnecessary forms and paperwork
- Clear single point of information and guidance for interaction with the public sector
- Reduction in number of contacts customers need to have with the public sector

Central customer account system

A central customer account should become the clear catalyst for customer focused service delivery reform. It will improve services delivered to the industry - while at the same time reducing the regulatory burden and red tape.

A central customer account will improve information dissemination across the public sector and reduce inter-government agency information delays. It will also bring more clarity to the industry in terms of public sector rules and regulations. While at the same time, it will improve information transparency for all stakeholders which can also become a big enabler for early engagement. All this can bring better certainty to the entire development and construction process.

It will also cut down the number of contacts needed with the public sector – it will save time and resources.

All information will only need to be submitted once, which could then be accessed through a central customer account by all relevant Government agencies and statutory bodies.
This will enable the concurrent progression of different processes – the same information can be seen and used by different agencies to complete their own requirements.

A central customer account will also allow for upfront approvals as different public sector organisations can begin their own processes earlier.

Most importantly, it will help us unlock productivity and true unrealised potential.

For example, this means the unit titling processes can start much earlier and concurrently with other steps in the development so that the unit titles can be issued at around the same time as the occupancy permits.

Ultimately, a customer focused agenda will drive service delivery reform through the entire public sector. This will improve the customer experience which will foster innovation, encourage investment, and remove red tape.
Optimised work, health and safety

Few issues are more important than the health, safety and well-being of people in our construction and development projects.

So, without doubt, there is a clear role for both public sector regulation and self-imposed private rules and systems to ensure the right outcomes.

Indeed, we are spending a lot of time on dealing with work, health and safety matters. But are we really doing it right?

**Chart 13: Industry feedback regarding the time spent dealing with rules and regulations**

<table>
<thead>
<tr>
<th>Local Council</th>
<th>DLPE</th>
<th>WHS</th>
<th>PWC</th>
</tr>
</thead>
<tbody>
<tr>
<td>24%</td>
<td>16%</td>
<td>13%</td>
<td>6%</td>
</tr>
</tbody>
</table>

**Issues and challenges**

Yet, while many organisations are busy ‘doing’ safety, all too often they are just ticking boxes.

Our experience suggests that it is the cumbersome and voluminous nature of a business’s own systems and internal rules that create the biggest problems.

**Current state of play**

Some businesses blame official regulators for creating what they believe are unnecessary barriers that impede productivity and profits.

These flow-on to a mountain of documented safety ‘activities’, including hazard reporting, health and safety consultation meetings, risk assessments, setting targets to reduce lost time injuries and collecting data to comply with audit requirements.

**Issues and challenges**

Sometimes, these systems are born as a result of a business’s desire to receive accreditation and recognition for safety - rather than focusing on maintaining a safe place of work.

This can have a big flow-on effect as businesses impose their own unnecessary rules and regulations on others down each level of the supply chain – compounding the impact of red tape.

The Territory construction and development industry provided constructive criticism of the Federal Government’s Office of the Federal Safety Commissioner (FSC) and its accredited safety scheme’s audit requirements.

Under the FSC scheme, only builders who are accredited for safety can enter into head contracts for building work that is funded directly or indirectly by the Australian Government.
The general consensus here is that the FSC audit is overly prescriptive. And, it is focused too much on the documented system and does not consider the real health and safety risk on a construction site. Some in the Territory industry are considering removing their business from the FSC scheme altogether as a result of the onerous and cumbersome safety audit process.

**How to get out of your own way**

So, how do we slash the overzealous red tape and get out of our own way with this?

**Reduce self-imposed regulation**

Instead of becoming their own worst enemies, businesses should stop compliance regimes driving their safety goals and instead work the other way around. Let’s start promoting a collaborative culture that aims to send workers home safely at the end of each day.

The proactive management of health and safety at work is a true business driver, rather than something separate to it.

**Government support and education**

We believe the Territory Government, through NT WorkSafe and the use of professionals, can support and encourage businesses by providing education, advice and support. Demonstrating through practical experiential training programs and support that it is not what is contained within a document that keeps people safe, but the practical safe practices and controls in place on site, strong leadership, commitment and a safety culture which cares for its people and the project which will really make a difference to people’s safety and save lives.

**Changes to the FSC scheme**

At a Federal Government level, some important improvements have already been made to the FSC scheme following a major review undertaken by the Department of Employment in 2014. These improvements commenced from 1 January 2015 onwards.

This review was informed by an advisory panel of key industry, government and union stakeholders and received submissions from a range of interested parties, including industry organisations, accredited companies and work health and safety professionals.

Key improvements include raising the financial thresholds for projects to which the scheme applies to reflect price movements in the industry. The small number of Commonwealth funded projects involving the construction or refurbishment of single-dwelling houses will no longer be covered by the scheme.
AS/NZS 4801:2001 (Standard for safety management systems) accreditation will no longer be a pre-requisite – the review found this to be a costly and time consuming barrier for smaller companies which added no value as the scheme’s requirements are far more extensive. Unaccredited builders will also be able to work in a joint venture arrangement with accredited builders.

A new risk-based compliance model will be introduced that will allow accreditation to extend for up to six years for strong performing companies. Poor performance during that period may still result in suspension or termination of accreditation.

All companies will have more regular on-site audits. Better targeting of audit resources and support to higher risk companies will further improve safety outcomes under the scheme.

These improvements will assist in cutting some of the red tape which had been experienced by the construction and development sector prior to January, 2015.

The marked improvements to the FSC scheme will enable Territory businesses to further streamline their work, health and safety practices.
The next steps for Government and business

This report largely merges our discussion of Territory Government and business.

And so we should. Even though the former imposes rules on the latter, both sides face the same issues and strategic choices, and both are – hopefully – working collaboratively towards the same ultimate goal of building a better Territory for all of us.

However, there are four vital and interlinked areas where the Territory Government is in a unique position to make a difference in the construction and development sector.

**Long-term strategic planning**

First, the Government can help make the Territory truly ‘open for business’ by completing some much-needed long-term strategic planning reform.

By this, we mean:

1. Preparing and finalising strategic land use and other policy documents
2. Reviewing the Planning Scheme, particularly enabling more permitted uses
3. Preparing infrastructure plans
4. Finalising and completing Uniform Subdivision Guidelines reform
5. Consulting with the community during the planning process to negate the need for objections and third party submissions
6. Tightening the use of EDPs and spot rezonings to ‘exceptional’ and appropriate circumstances.

This will bring more certainty and reduce risks faced by private sector investment.

**Consistency in decision making**

Second, the Government can get its own house in order by improving the Territory’s overall regulatory regime.

This means:

1. Doing the long-term integrated strategic planning, finalising the uniform Subdivision Guidelines to achieve consensus on a single set of guidelines and standards across the Territory
2. Making holistic changes to the current building certification system to enable building certifiers to sign-off on every aspect of a completed construction. Implementing an evaluation and accreditation system that provides confidence in the certification work performed.

Ultimately, we need to ensure consistency in the application of rules and regulations and cutting duplication.

**Customer focused service delivery**

Third, the Government needs to shift focus to a serious customer focused service delivery model by working cohesively internally as well as collaboratively with the Territory businesses.

This means enabling central customer account systems which:

- Reduce unnecessary forms and paperwork
• Provide clear single point of information and guidance for interaction with the public sector

• Reduce the number of contacts customers need to have with the public sector.

• Enable more early engagement

• Enable concurrent processes and up-front approvals.

Ultimately, this measure will build the bridge and more closely align the industry objectives with overarching Territory Government objectives.

 Encourage optimised WH&S approach

Fourth, a big collaborative effort is required from both the Territory Government and business on optimising work, health and safety. The Government needs to:

1. Encourage business to get out of its own way by providing education, advice and support through NT WorkSafe

2. Maintain a monitoring brief of the effectiveness of the work, health and safety laws for any areas for continual improvement.

The private sector needs to also respond by reducing self-imposed rules and regulations and getting a better understanding of the recent changes to the FSC scheme.

 Final thoughts

At the moment, we’re completely wrapped up in red tape. Something must be done, and the Territory Government – as rule-maker in chief – is in a strong position to fix the backyard we all share, set an example, and promote best practice in its own operations and across the economy.

Yet that doesn’t let businesses and other non-government organisations off the hook. As we’ve shown in this report, a large part of the compliance cost comes from the rules businesses impose on themselves rather than those from the public sector. Together, let’s take a long, hard look around us and achieve a balanced approach to delivering a regulatory framework that focuses on both performance and compliance. Let’s strike a balance between risk mitigation and providing businesses with incentives for investment and innovation.

After all, if we really want to get ahead, we need to start by getting out of our own way.
<table>
<thead>
<tr>
<th>Objectives</th>
<th>Long-term strategic planning</th>
<th>Consistency in decision making</th>
<th>Customer focused service delivery</th>
<th>Optimise work, health and safety</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Certainty</td>
<td>Consistency and Clarity</td>
<td>Cohesion and Collaboration</td>
<td>Consistency and Collaboration</td>
</tr>
<tr>
<td>Steps</td>
<td>Prepare and finalise strategic land use and other policy documents</td>
<td>Prepare and finalise strategic land use and other policy documents</td>
<td>Prepare and finalise strategic land use and other policy documents</td>
<td>Provide education, advice and support through NT WorkSafe</td>
</tr>
<tr>
<td></td>
<td>Review of Planning Scheme, particularly regarding permitted uses</td>
<td>Finalise Uniform Subdivision Guidelines</td>
<td>Setup central customer account systems</td>
<td>Maintain a monitoring brief of the effectiveness of the underlying laws</td>
</tr>
<tr>
<td></td>
<td>Prepare infrastructure plans</td>
<td>Undertake holistic changes to the building certification system</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Finalise Uniform Subdivision Guidelines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consulting with the community during the planning process</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tighten the use of EDPs and spot rezonings</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Current and future application processes

Current system: Application phase

- Developer
- DLPE
- PWC
- Local councils
- DoT
- EPA
- DLRM
- NTPFES
- Building certifier
- Public
- DAGJ

- How does this development fit within the NT long term development plan?
- These requirements are not in our long term plans
- How can we fulfill these requirements in the required timeframe?
- Are our objectives covered?

Future system: Application phase

- Developer
- DLPE
- PWC
- Local councils
- DoT
- EPA
- DLRM
- NTPFES
- Building certifier
- Public
- DAGJ

- Submit well-developed application through central customer account.
Current system: Development

Future system: Development phase
My project is now delayed. This puts additional pressure on all stakeholders.

These requirements cannot be met with such limited notice.

We cannot juggle existing workloads and meet this project deadline.

Why did I receive a fine for excessive dust?

Why are these requirements necessary?

Are my objectives covered?
Current system: Finalisation phase

- Local council sign off
- Private sign off
- Building certifier issue occupancy permit
- Unit title application made
- Title received
- Title received and development complete

Future system: Finalisation phase

- Local council sign off
- Private sign off
- Building certifier issue occupancy permit
- Title received
- Title received and development complete

We don't have enough resources.

This doesn't meet our guidelines and requirements.

Why can I only apply for unit titles now?

Waiting for unit titles

Waiting for unit titles

Title received and development complete
As part of Deloitte and CDAC’s consultation process, the construction and development sector raised numerous specific issues regarding the red tape affecting the industry.

The table below provides a summary of these key issues.

<table>
<thead>
<tr>
<th>Issue</th>
<th>How to get out of your own way</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certification</td>
<td>Refer to the <em>Long-term strategic planning</em> and <em>Consistency in decision making</em> sections. If the Territory intends to continue with private building certification system, then the private building certifier should be solely responsible for final sign-offs. Government and statutory body involvement should be removed, saving considerable time for the public sector and removing red tape associated with having to deal with differing interpretations of rules and regulations and obtaining multiple certification sign-offs upon project completion.</td>
</tr>
<tr>
<td>Development Applications</td>
<td>Refer to the <em>Long-term strategic planning</em> section. Through the implementation of long-term strategic planning and enablement of greater certainty, the majority of development applications will become permitted by default rather than being subject to the development approval process.</td>
</tr>
<tr>
<td>Minor development changes</td>
<td>Refer to the <em>Long-term strategic planning</em> section. Minor alterations can be redefined under the Planning Act to provide a more flexible approach that prevents developers having to re-start the development application process.</td>
</tr>
<tr>
<td>Planning Scheme</td>
<td>Refer to the <em>Long-term strategic planning</em> section. Development limitations, including CBD height limits and setbacks should be incorporated into the Territory’s long-term planning to give clarity to all stakeholders about the direction</td>
</tr>
<tr>
<td>Issue</td>
<td>How to get out of your own way</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Planning Scheme permitted projects</td>
<td>Refer to the <em>Consistency in decision making</em> section. Greater education and information should be provided to the industry that Planning Scheme permitted projects are not subject to the development approval process.</td>
</tr>
<tr>
<td>Master Builders NT Fidelity Fund</td>
<td>Refer to the <em>Customer focused service delivery</em> section. The paper-based application process for Residential Building Cover appears to be cumbersome and onerous. It is possible to achieve efficiency gains through a central customer account which would enable electronic applications and a means to automatically complete a significant portion of the application, such as builder’s general details, applicant history, and other financial information. This will reduce the red tape associated with the requirement to complete this paperwork.</td>
</tr>
<tr>
<td>Local Councils</td>
<td>Refer to the <em>Long-term strategic planning</em> section. Through the implementation of long-term strategic planning, the majority of development applications will not be subject to the development approval process. Therefore, they will not be subject to objections and submissions by the local councils.</td>
</tr>
<tr>
<td>Substantial amount of objections and submissions to development applications</td>
<td>Refer to <em>Long-term strategic planning</em> and <em>Consistency in decision making</em> sections. Government should continue to work towards uniform standards to eliminate inconsistencies between local councils. All local government requirements should be aligned with Northern Territory standards to remove unnecessary delays. A greater onus should be put on professionals, who will then bear more authority and responsibility.</td>
</tr>
<tr>
<td>Issue</td>
<td>How to get out of your own way</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Conflict between local councils and the Northern Territory Government</td>
<td>Refer to Long-term strategic planning and Consistency in decision making sections. All levels of the public sector need to gain an understanding of the importance of driving development, investment and productivity in the Northern Territory. The objectives needs to be mutually aligned and the local councils and the NT Government need to work together to enable innovation and growth.</td>
</tr>
<tr>
<td>Power Water Corporation</td>
<td>Refer to the Long-term strategic planning section. Red tape associated with these issues will be removed with the implementation of long-term strategic planning. This will allow service authorities to plan for infrastructure requirements on a longer term basis, which will result in more reasonable contribution plans, removal of significant infrastructure delays, and the timely provision of adequate utility infrastructure.</td>
</tr>
<tr>
<td>Onerous contribution plans for infrastructure installation and maintenance</td>
<td></td>
</tr>
<tr>
<td>Inability of authorities to act quickly to development requirements</td>
<td></td>
</tr>
<tr>
<td>Inadequate infrastructure installation resulting in greater costs</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>Refer to the Long-term strategic planning section. Red tape associated with these issues will be removed with the implementation of long-term strategic planning.</td>
</tr>
<tr>
<td>A lack of transport planning that results in inconsistencies between local councils and Territory Government roads.</td>
<td></td>
</tr>
<tr>
<td>Limited information regarding traffic studies and need for studies to be completed for the same areas in short periods of time.</td>
<td></td>
</tr>
<tr>
<td>Fire Certification</td>
<td>Refer to the Consistency in decision making section. Why should a range of authorities applying the same rules and regulations all sign-off on similar requirements? The fire certification of a building should be the role of an independent building certifier who takes responsibility for the compliance</td>
</tr>
<tr>
<td>Issue</td>
<td>How to get out of your own way</td>
</tr>
<tr>
<td>-------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td></td>
<td>of the building and ensures compliance throughout the construction process.</td>
</tr>
<tr>
<td>Environmental Issues</td>
<td>Refer to the <em>Customer focused service delivery</em> section.</td>
</tr>
<tr>
<td>Lack of information regarding environmental compliance</td>
<td>These issues can be streamlined using a customer focused service delivery approach that will make compliance information more easily accessible. Where compliance information does not exist, the public sector needs to work collaboratively with the construction and development industry to produce clearer guidelines.</td>
</tr>
<tr>
<td>Titling</td>
<td>Refer to the <em>Customer focused service delivery</em> section.</td>
</tr>
<tr>
<td>Delays within the unit titling process due to the requirement for an occupancy permit prior to application</td>
<td>These issues can be streamlined with a central customer account and some modification in process flows so that processes can run concurrently rather than sequentially given the enabling of timely availability of information to all relevant stakeholders. The Territory Government should work towards issuing titles on the same day as an occupancy permit is issued.</td>
</tr>
</tbody>
</table>
Short-term recommendations

The table below contains a summary of key short-term recommendations put forward by the construction and development sector as part of the industry consultation process.

<table>
<thead>
<tr>
<th>Issue</th>
<th>How to get out of your own way</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Development Applications</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Minor development changes | There should be a process to approve minor development changes (i.e. changes less than 5%).  
In particular, further consideration should be given into whether minor alterations can be redefined under the Planning Act to provide a more flexible approach that prevents developers having to re-start the development application process. |
| **Master Builders NT Fidelity Fund, Contractor Accreditation Ltd (CAL) and builder licensing** | |
| Reduction in paperwork | The paper-based application process for the Master Builders NT Fidelity Fund, Contractor Accreditation Ltd (CAL) and builder licensing appears to be cumbersome and onerous.  
There should also be a review undertaken into the processes or functions for the Master Builders NT Fidelity Fund, Contractor Accreditation Ltd (CAL) and the builder licensing system to identify and address any areas of potential duplication.  
It will be possible to achieve holistic efficiency gains through a central customer account which would enable electronic applications and a means to automatically complete a significant portion of the application, such as builder’s general details, applicant history, and other financial information. This will reduce the red tape associated with the requirement to complete this paperwork. Refer to the **Customer focused service delivery** section. |
| **Uniform subdivision guidelines** | |
| Finalise the uniform subdivision reforms | The draft uniform subdivision guidelines need to be finalised.  
This will provide the developers with more certainty and transparency in the development approval and construction process.  
Refer to the **Long-term strategic planning** and **Consistency in decision making** sections. |
<table>
<thead>
<tr>
<th>Issue</th>
<th>How to get out of your own way</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Application response times for Power Water Corporation</strong></td>
<td>There should be a review undertaken in relation to the response times to applications lodged with Power Water Corporation including considering what appropriate target timeframes would be.</td>
</tr>
<tr>
<td>Streamline application response times</td>
<td></td>
</tr>
<tr>
<td><strong>Transport traffic studies</strong></td>
<td>There should be a publically available database kept on traffic studies to reduce costs and the need for multiple studies to be undertaken for the same area.</td>
</tr>
<tr>
<td>Limited information is available regarding traffic studies</td>
<td></td>
</tr>
<tr>
<td><strong>Fire Certification</strong></td>
<td>There needs to be a review undertaken in relation to the response times for fire inspections and issuance of fire certifications.</td>
</tr>
<tr>
<td>Delays in inspections being undertaken and issuance of certification</td>
<td></td>
</tr>
<tr>
<td><strong>Titling</strong></td>
<td>These issues can be streamlined with a central customer account and some modification in process flows so that processes can run concurrently rather than sequentially given the enabling of timely availability of information to all relevant stakeholders.</td>
</tr>
<tr>
<td>Delays within the unit titling process due to the requirement for an occupancy permit prior to application</td>
<td>The Territory Government should work towards issuing titles on the same day as an occupancy permit is issued.</td>
</tr>
<tr>
<td><strong>Place names and numbering</strong></td>
<td>Refer to the <em>Customer focused service delivery</em> section.</td>
</tr>
<tr>
<td>Streamlining place names and numbering process</td>
<td>There needs to be a review undertaken into the place names and numbering application process.</td>
</tr>
<tr>
<td></td>
<td>As part of this review, further consideration should be given to whether there should be a process to obtain an upfront approval as part of the development approval process.</td>
</tr>
</tbody>
</table>
The Northern Territory Government wants to ensure the Territory has the best regulatory environment for the construction and development sector in Australia with timely assessments and approvals, simple and transparent institutional arrangements, certainty and clarity in regulatory and administrative process requirements, appropriate safeguards for the environment and the public, and responsive regulators and Government agencies with whom it is easy for firms and individuals to interact.

In recognition of the Government’s desire to create a competitive business environment for the construction and development sector, the Government established the CDAC to investigate and identify opportunities to achieve this outcome, including opportunities to:

- increase regulatory certainty, including clarity of regulatory requirements and agencies’ administrative requirements
- improve the timeliness of Government regulatory and administrative processes
- improve the responsiveness of regulators and Government agencies
- reduce costs to industry participants, including identifying any unnecessary regulatory or administrative requirements
- improve interaction between firms / individuals in the sector and Northern Territory Government agencies.
Scope and methodology

Deloitte was engaged to assess existing Northern Territory planning, development and building regulation, administrative processes, and institutional arrangements for all types of development across the Territory. This included an assessment of:

- The effectiveness of current institutional arrangements to identify duplications, strengths, weaknesses, opportunities and threats
- The impact of external factors such as national building standards and regulations

Deloitte was requested to provide a report to the Council which sets out options and recommendations for reform to reduce the regulatory burden.

Deloitte performed this engagement based on the 5C’s methodology. Broadly speaking, this can be split into five distinct phases:

- Phases 1, 2 and 4 are the core activities in our methodology to achieve the desired outcomes.
- Phases 3 and 5 are optional activities that can result in a further fundamental shift in the regulatory environment (not undertaken as part of our engagement).
<table>
<thead>
<tr>
<th>Key phases</th>
<th>How we will address our approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Cleanse</strong></td>
<td>Slash the stupidity – consider the dumbest things we do.</td>
</tr>
<tr>
<td><strong>2. Challenge</strong></td>
<td>Challenge your current rules. Stop asking “What could go wrong?” and instead ask “What must go right?”</td>
</tr>
<tr>
<td>Create a culture and behaviours that are focused on both performance and compliance – align rules with objectives.</td>
<td></td>
</tr>
<tr>
<td><strong>3. Create</strong></td>
<td>Develop recommendations to reform the way risk appetite is determined for the construction and development industry. (Optional Activity)</td>
</tr>
<tr>
<td><strong>4. Change</strong></td>
<td>Change the way you set new rules and better link rules with strategy and risk appetite.</td>
</tr>
<tr>
<td><strong>5. Capitalise</strong></td>
<td>Make the most of these changes to help businesses realise their full potential. (Optional Activity)</td>
</tr>
</tbody>
</table>
This section of the report provides a detailed overview of the costing methodology used by Deloitte to estimate the costs to the Northern Territory construction and development sector due to external and internal regulation.

Private sector administration cost
The cost of administering internal regulation in the Territory construction sector was estimated using the following steps:

- The number of admin workers by 4 digit ANZSCO occupation working in the Northern Territory is taken from ABS Catalogue No. 6291.0.55.003. Data from 2013 is used to ensure consistency with Building the Lucky Country #4, which is used as a comparison in the report. The following is a list of 4 digit occupations included:
  - Contract, Program and Project Administrators
  - Practice Managers
  - Archivists, Curators and Records Managers
  - Corporate Services Managers
  - Inspectors and Regulatory Officers
  - Other Miscellaneous Clerical and Administrative Workers
    - Payroll Clerks
    - Office Managers
    - Inquiry Clerks
    - General Clerks
    - Finance Managers
    - Receptionists
    - Other Clerical and Office Support Workers

- These admin worker estimates are then weighted by estimates for the proportion of that occupation who works on internal administration and the proportion of admin workers by occupation working in the construction industry. Weights for the construction sector are taken from the 2011 Census.

- At this point, an estimate for the aggregate number of admin workers who administer internal regulation in the construction sector is established.

- This estimate is converted to a share of the Australian workforce which is multiplied by labour’s share of the economy (compensation of employees – ABS Catalogue No. 5206.0 2011-12) to derive admin costs as a share of gross national income (GNI).

- The share of GNI is multiplied by GNI to estimate the cost of internal regulation in the Northern Territory construction sector.

Public sector administration cost
The cost of administering external regulation in the Northern Territory construction sector was estimated using the following steps:

- Wage data for the 2013-14 (some information was from 2012-13) financial
year was collected from Northern Territory Government departments, Northern Territory Government owned corporations and Northern Territory councils.

- This wage data was adjusted to account for the proportion of admin costs associated with each entity which imposes regulation on the NT construction industry. A further weight was applied to account for the proportion of time spent by each entity on matters relating to construction.

- Adjusting the wage data for the proportion of admin costs and the construction industry’s share of those costs provided an estimate of the cost of administering state and council regulation on the construction industry in the Northern Territory.

**Internal and external compliance costs**
The cost of complying with internal and external regulation in the Northern Territory construction sector was estimated using the following steps:

- Average hours spent complying with external and internal regulation by position (senior executive, middle management, other white collar, blue collar) was taken from a survey of construction sector employees in the Northern Territory performed by Deloitte.

- The estimated wage cost of complying with internal and external regulation is worked out by multiplying the Northern Territory construction sector wage bill by the proportion of time spent by construction sector employees complying with administration.
The authors

Hendri Mentz
Managing Partner
Deloitte Darwin

Gaurav Sareen
Director
Deloitte Darwin

Tony Morris
Lead WHS Partner
Risk Services

Kristian Kolding
Director
Deloitte Access Economics

Mitchell Johnston
Analyst
Deloitte Darwin
Deloitte NT offices

Darwin
Level 11, 24 Mitchell Street
Darwin NT 0800
Tel: +61 8 8980 3000

Alice Springs
9 Parsons Street
Alice Springs NT 0870
Tel: +61 8 8950 7000

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