# Best Practice Regulation

What is it and how do we know

# **Proportional**

#### Principle

 The burden of rules and their enforcement should be proportionate to the benefits that are expected to result

- A risk-based, cost-benefit framework is in place for both rule making and enforcement
- There is an empirical foundation to regulatory judgements

### **Flexible**

#### Principle

 Regulated entities should have scope to adopt least cost and innovative approaches to meeting legal obligations

- The underlying regulatory approach is principles or performance-based, and policies and procedures are in place to ensure that it is administered flexibly
- Non-regulatory measures, including selfregulation, are used wherever possible

## Durable

#### Principle

 The regulatory system has the capacity to evolve to respond to changing circumstances

- Feedback systems are in place to assess how the law is working in practice
- Decisions are reassessed at regular intervals and when new information comes to hand
- The regulatory regime is upto-date with technological and market change, and evolving societal expectations

### **Certain and Predictable**

#### Principle

 Regulated entities have certainty as to their legal obligations, and the regulatory regime provides predictability over time

- Safe harbours are available and/or regulated entities have access to authoritative advice
- Decision-making criteria are clear and provide certainty of process
- The need for firms to take long term investment decisions is taken into account in regulatory regimes where appropriate
- There is consistency between multiple regulatory regimes that impact on a single regulated entity

## **Transparent and Accountable**

#### **Principle**

 Rules development, implementation and enforcement should be transparent

#### Indicators

 Regulators must be able to justify decisions and be subject to public scrutiny

## Capable regulators

#### **Principle**

 The regulator has the people and systems necessary to operate an efficient and effective regulatory regime

#### Indicators

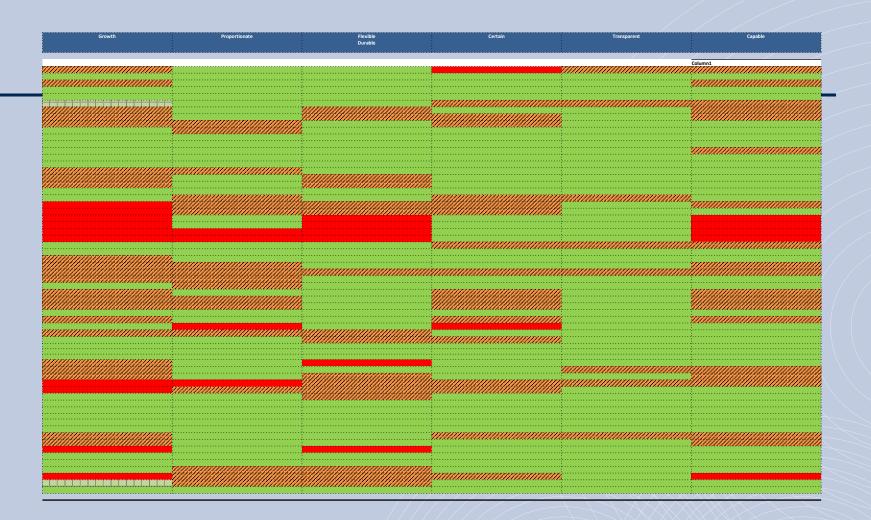
 Capacity assessments are undertaken at regular intervals and subject to independent input and/or review

## **Growth-focused**

#### Principle

Economic objectives
(competition, exports,
innovation) are given an
appropriate weighting
relative to other
specified objectives

- Identifying and justifying trade-offs between economic and other objectives is an explicit part of decision-making
- The need for firms to take long term investment decisions is taken into account in regulatory regimes where appropriate
- Trade and investment liberalisation an explicit objective



#### Nordic Model, with reference to New Zealand Building Code requirement E2 (external moisture)

#### Goal

Buildings must be constructed to provide adequate resistance to penetration by, and the accumulation of, moisture from the outside.

#### Functional requirements

The objective is to safeguard people from illness or injury that could result from external moisture entering the building.

#### Operative requirements

Roofs and exterior walls must prevent the penetration of water that could cause undue dampness, damage to building elements, or both.

# Could the BPR diagnostic tool have Identified that the building control regime was vulnerable to failure?

	Growth	Proport- ional	Flexible	Durable	Certain	Transp- arent	Capable
Building Act 1991							

# Best practice principles as an initial diagnostic tool?

- Will generic principles and indicators applied from the centre shed essential 'daylight' on the performance of regulatory regimes? or
- Will applying generic principles and indicators mean that we miss something fundamental to the efficacy of regimes?