

# Interim Regulation Impact Statement Process Guidance Note

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## 1. Introduction

Reducing regulatory burden is part of a whole-of-government agenda. To emphasise this, the Government has transferred the deregulation function and the Office of Best Practice Regulation (OBPR) from the Department of Finance to the Department of the Prime Minister and Cabinet. The Government has also strengthened the Regulatory Impact Analysis (RIA) framework, with a focus on costing impacts on business, community organisations and individuals as part of a broader goal to reduce the burden of regulation.

The RIA framework will continue to be overseen by the OBPR, whereas the Office of Deregulation provides deregulation policy advice to the Prime Minister and Parliamentary Secretary assisting the Prime Minister on Deregulation, and oversees the Government's \$1 billion annual red tape reduction target.

A new Australian Government Guide to Regulation (replacing the current Best Practice Regulation Handbook) will be issued in early 2014. In the interim, this guidance note details important changes to the RIS requirements which must be applied in addition to the requirements in the current handbook. Consequently, the handbook must be read in conjunction with this guidance note.

The purpose of a Regulation Impact Statement (RIS) is to give decision-makers a balanced assessment based on all the best available cost and benefit information and to inform stakeholders and the community about the likely impact of the proposal. Although this guidance note focuses on the new requirements to quantify the regulatory costs (and savings) and associated offsets when introducing, removing or changing regulation, these regulatory costs and offsets remain a subset of the broader costs and benefits that must be taken into account during the policy development and decision-making process.

It is important to note these arrangements apply equally to all changes, whether a proposal is regulatory or deregulatory.

While these arrangements apply to the Australian Government RIS process, an additional requirement has been placed on inter-jurisdictional reforms to quantify the regulatory costs and identify offsets, which is discussed in section 8.

## 2. Key Changes

The key changes to the RIS process are:

- i. All Cabinet Submissions require a RIS.<sup>1</sup>
- ii. All non-Cabinet proposals that have a more than minor regulatory impact on individuals require a RIS (previously this applied only to business and community organisations).
- iii. All RISs must quantify the regulatory burdens (costs) to business, community organisations, and/or individuals of new regulations<sup>2</sup> and identify reductions in regulatory burdens (costs) to offset the costs.

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<sup>1</sup> This includes submissions which are non-regulatory in nature or involve revenue or integrity measures.

- iv. The quantification of burdens and associated offsets must be estimated using the Commonwealth Regulatory Burden Measurement (RBM) framework discussed in Attachment A.
- v. For all Cabinet Submissions and for non-Cabinet regulatory proposals with impacts that are more than minor or machinery in nature, it is a requirement that the OBPR agrees to the quantification of regulatory burdens and offsets before a proposal can proceed to the decision-maker.<sup>3</sup>
- vi. The definition of regulation includes the procurement, grants and cost-recovery frameworks.
- vii. The net impact of inter-jurisdictional reforms, where these result in a change to Commonwealth legislation or practices, or are a result of direct Commonwealth incentives or conditions, should be quantified and offset, where applicable, using the RBM framework.

### 3. When is a RIS required?

The RIS threshold has been expanded to capture:

- a. All Cabinet Submissions;
- b. All non-Cabinet proposals with a more than minor regulatory impact on individuals<sup>4</sup>; and
- c. Changes to the Commonwealth's procurement, grants and cost recovery frameworks that impose a more than minor impact on businesses, community organisations or individuals.

A RIS is required for all Cabinet submissions, even if the proposal is of a minor or machinery nature or does not have a regulatory impact on business, community organisations or individuals. Sections 4B and 4C discuss the arrangements for proposals proceeding to Cabinet that are minor or non-regulatory in nature through the preparation of a short-form RIS.

A RIS is also mandatory for all non-Cabinet decisions made by the Australian Government and its agencies that are likely to have a regulatory impact on business, community organisations or individuals. However, a RIS is not required for non-Cabinet decision-makers if the regulatory impact is of a minor or machinery nature and does not substantially alter existing arrangements.

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<sup>2</sup> The term 'new regulations' also encompasses revised regulations.

<sup>3</sup> Where the Cabinet Secretary agrees a submission can be lodged without costs and offsets agreed by the OBPR, the costs and offsets must be agreed within one month of the Cabinet decision.

<sup>4</sup> Individuals are defined broadly to include any private member of the community who interacts with government or is impacted by regulation. This includes both the income-generating and non-income-generating activities of individuals.

The definition in the Best Practice Regulation Handbook (July 2013) states:

*“Regulation does not include grant programs, government procurement of specific goods or services, or government agreements, unless these processes impose more general regulatory requirements on the organisations or individuals receiving funding or providing goods and/or services.”*

However, it is replaced by:

*“Regulation is any rule endorsed by Government where there is an expectation of compliance, including legislation, regulations, quasi-regulations, such as standards and codes of practice, and any other aspect of regulator behaviour which can influence or compel specific behaviour by business and the community. Red tape burden imposed by the Commonwealth’s procurement, grants and the cost recovery frameworks is also included.”<sup>5</sup>*

## **4. Modifications to the Australian Government RIS process**

### **A. Regulatory proposals with A-D level of significance**

There are modifications to the rules regarding options-stage and details-stage RISs for regulatory proposals that have been assessed by the OBPR as having an A-D level of significance. See Chapter 3 of the handbook for more information on the determination of RIS significance.

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<sup>5</sup> Changes to grants, procurement and cost recovery policy would only trigger the RIS requirements if the proposal imposed a more than minor impact on business, community organisations and/or individuals. Therefore, individual grant programs, individual procurement processes and specific cost recovery arrangements would generally not require a RIS but underlying process changes to the way grant processes, procurement processes or the cost recovery framework operate would likely trigger the requirement for a RIS. As an example, if the Government was considering standardising grant requirements across a range of agreements this change would likely require a RIS.

### Options-stage RIS

1. The following modifications to the rules relating to options-stage RISs should be read in conjunction with Chapter 4 of the handbook.
2. The options-stage RIS must address all seven RIS elements (Problem; Objectives; Options; Impact Analysis; Consultation; Conclusion and Recommendation; and Implementation and Review).<sup>6</sup>
3. The consultation section must transparently outline consultation, noting that in some circumstances sensitivities associated with budget consultations or national security matters may mean consultation has been limited.
4. The options-stage RIS must quantify the regulatory costs to business, community organisations and individuals of new regulations and identify reductions in regulatory costs to offset these costs.
5. The regulatory costs and offsets must be estimated using the Commonwealth Regulatory Burden Measurement (RBM) framework (see Attachment A), and the *Regulatory Burden and Cost Offset Estimate* table must be included in the RIS.<sup>7</sup>
6. The quantification of regulatory costs and offsets must be agreed by the OBPR. OBPR's agreement to the costing information does not constitute support for the policy or an assessment of the adequacy of the RIS.<sup>8</sup>
7. The OBPR must be provided with details of the costs and offsets at least five business days prior to the RIS being:
  - circulated for Cabinet coordination comments for Cabinet proposals; or
  - considered by the decision-maker for non-Cabinet proposals.
8. For Cabinet proposals, where the Cabinet Secretary agrees a submission can be lodged without costs and offsets agreed by the OBPR, the costs and offsets must be agreed within one month of the Cabinet decision and at least published on the OBPR website. Where costs and offsets have not been agreed by the OBPR within one month of the decision, the RIS will be noted by the OBPR as non-compliant.<sup>9 10</sup>

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<sup>6</sup> Independent reviews (or other mechanisms as outlined in the handbook) being utilised in lieu of an options-stage RIS must address all seven RIS elements.

<sup>7</sup> Where an independent review is being utilised in lieu of an options-stage RIS, the *Regulatory Burden and Cost Offset Estimate* table must be inserted into the Secretary / Deputy Secretary certification letter.

<sup>8</sup> Apart from agreeing the costs and offsets, OBPR does not have a role in assessing the adequacy of an options-stage RIS.

<sup>9</sup> Where an independent review is being used, draft submissions must not be circulated for coordination comments unless the Secretary / Deputy Secretary has certified that the independent review has also adequately addressed all seven RIS elements. More information on independent reviews can be found in Appendix C of the handbook.

<sup>10</sup> For non-Cabinet proposals that are solely deregulatory and impose no new regulatory costs, then, subject to normal policy approval processes, a Minister can progress without prior OBPR agreement on savings.

### Details-stage RIS<sup>11</sup>

1. The following modifications to the rules relating to details-stage RISs should be read in conjunction with Chapter 5 of the handbook.
2. The details-stage RIS must quantify the regulatory costs to business, community organisations and individuals of new regulations proposed and identify reductions in regulatory costs to offset these costs. The regulatory costs and offsets must be estimated using the RBM framework and the *Regulatory Burden and Cost Offset Estimate* table must be included in the RIS.<sup>12</sup>
3. The quantification of regulatory costs and cost offsets must be agreed by the OBPR.
4. OBPR must be provided with details of the costs and offsets at least ten business days prior to the RIS being:
  - circulated for Cabinet coordination comments, for Cabinet proposals; or
  - considered by the decision-maker, for non-Cabinet proposals.
5. For Cabinet proposals, where the Cabinet Secretary agrees a submission can be lodged without costs and offsets agreed by the OBPR, the costs and offsets must be agreed within one month of the Cabinet decision, and at least published on the OBPR website. In such cases, the RIS will still be assessed as non-compliant and reported as such by the OBPR.<sup>13 14</sup> In addition a post-implementation review will need to be undertaken within one to two years.

### B. Cabinet proposals with less than a D level of significance<sup>15</sup>

- i. For regulatory proposals going to Cabinet that have less than a D level of significance, a 'short-form' RIS of less than a page must be prepared that provides an assessment that only minor regulatory costs are imposed on business, community organisations, and/or individuals.
- ii. The OBPR assesses whether a proposal has an impact on businesses, community groups or individuals and is subject to a short-form RIS. If the OBPR and an agency do not agree that a proposal only requires a short-form RIS, the agency can seek a decision from the Head of Domestic Policy, Department of the Prime Minister and Cabinet.

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<sup>11</sup> Including single stage RISs (see Appendix C of the handbook for more information).

<sup>12</sup> Where an independent review is being utilised in lieu of a details-stage RIS, the *Regulatory Burden and Cost Offset Estimate* table must be inserted into the Secretary / Deputy Secretary certification letter.

<sup>13</sup> Where an independent review is being used, draft submissions must not be circulated for coordination comments unless the Secretary / Deputy Secretary has certified that the independent review has also followed a similar process to that required for a details-stage RIS, and has adequately addressed all seven RIS elements. More information on independent reviews can be found in Appendix C of the handbook.

<sup>14</sup> For non-Cabinet proposals that are solely deregulatory and impose no new regulatory costs, then, subject to normal policy approval processes, a Minister can progress without prior OBPR agreement on savings.

<sup>15</sup> A RIS is not required for non-Cabinet proposals which have less than a D level of significance.

- iii. The RIS must include the *Regulatory Burden and Cost Offset Estimate* table. All quantification must use the RBM framework. Where the Cabinet Secretary agrees a submission can be lodged without costs and offsets agreed by the OBPR, the costs and offsets must be agreed within one month of the Cabinet decision.
- iv. Short-form RISs will not be published on the OBPR website.

**C. Cabinet proposals which are non-regulatory<sup>16</sup>**

- i. For non-regulatory proposals being considered by Cabinet, a 'short-form' RIS must be prepared that provides a short assessment (one paragraph) that the proposal is non-regulatory<sup>17</sup>.
- ii. The OBPR assesses whether a proposal does not have a regulatory impact on business, community organisations or individuals, and is subject to a short-form RIS. If the OBPR and an agency do not agree that a proposal only requires a short form RIS, the agency can seek a decision from the Head of Domestic Policy, Department of the Prime Minister and Cabinet.
- iii. Short-form RISs will not be published on the OBPR website.

**D. Non-Cabinet proposals with less than a D level of significance<sup>18</sup>**

- i. For non-Cabinet proposals that have less than a D level of significance, the regulatory costs imposed on business, community organisations, and/or individuals, along with associated cost offsets, must be quantified using the RBM framework.
- ii. These costings must be reported to the Office of Deregulation on a regular basis (as requested) to assess progress against the Government's red tape reduction target.

## 5. Non-compliance

The purpose of a RIS is to help decision-makers understand the implications of the options under consideration and the likely impacts of their decision at the time they are making their decision.

The new RIS system requires agencies to present a RIS which includes the quantification of regulatory costs and associated offsets that have been agreed by the OBPR. RISs are required for all Cabinet proposals. However, in limited circumstances, the Cabinet Secretary may agree a submission can be lodged without the regulatory costs and offsets being agreed by the OBPR.

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<sup>16</sup> A RIS is not required for non-Cabinet proposals which are non-regulatory.

<sup>17</sup> If the proposal has any regulatory costs, then the *Regulatory Burden and Cost Offset Estimate* table must also be inserted into the short-form RIS.

<sup>18</sup> There may be instances where a proposal does not require a RIS but may still have regulatory cost implications which need to be quantified. For example, efficiency benefits that accrue from a simplified reporting requirement should be quantified and counted towards the red tape reduction target.

Where this occurs, costs and offsets must be agreed by the OBPR within one month of Cabinet's decision.

Any decision made by Cabinet based on a details-stage RIS that does not contain the full agreed costings and offsets, will however, be assessed and reported on the OBPR website as non-compliant. That is because the decision maker has not been provided with the full information required to understand the implications and impacts of their decision at the time the decision is taken. Agreement of costs and offsets within one month of the Cabinet Secretary's exemption does not subsequently make the RIS compliant, as the original decision was made on the basis of a non-compliant RIS.

The purpose of requiring costs and offsets to be agreed within one month is to ensure that an assessment can be made on the Government's progress towards the annual \$1 billion red tape reduction target.

## 6. Transparency

Paragraph 7.86 of the handbook describes the process for demonstrating that an agency has complied with the RIS requirements at the options stage. The following checklist replaces the checklist at paragraph 7.86.

### *Checklist for assessing an options-stage RIS*

An agency must answer 'yes' to each of the following questions to comply with the options-stage RIS requirements:

- Does the options-stage RIS include all seven RIS elements?
- Does the options-stage RIS include at least three options (including a regulatory option, a non-regulatory or light-handed regulatory option, and a do-nothing option)?
- Was the quantification of the regulatory costs and offsets agreed by the OBPR prior to consultation?
- Has the options-stage RIS been certified at the secretary or deputy secretary level and provided to the OBPR before consideration by the decision-maker?
- Has the options-stage RIS been published following the public announcement of an initial decision to regulate?

## 7. Post-implementation reviews

- i. All regulatory proposals determined by OBPR to have an A or B level of significance, will be subject to a post-implementation review, to be completed within five years of implementation. This requirement should be read in conjunction with Appendix A of the handbook.
- ii. All new and outstanding post-implementation reviews will require quantification of regulatory costs as per the RBM framework.



- iii. All post-implementation reviews must be prepared in consultation with the agency's Ministerial Advisory Council.

## **8. Inter-Jurisdictional Reforms**

The net impact of national reforms, where these result in a change to Commonwealth legislation or practices, or are a result of direct Commonwealth incentives or conditions, should be quantified and offset, where applicable, using the RBM framework. This requirement would apply to decisions made by COAG, Ministerial Councils and intergovernmental standard-setting bodies where there is a level of Commonwealth involvement.

For these proposals, the COAG RIS should be supplemented by additional analysis from the lead Commonwealth department to meet the quantification and offset requirements of the Commonwealth's red tape reduction programme. Departments should contact the OBPR and the Office of Deregulation early in the policy making process to discuss how the costs of an inter-jurisdictional reform should be calculated and what proportion should be applied to the Commonwealth target or offset. The costs need to be agreed by OBPR before a decision is made by COAG or the Ministerial Council or standard setting body.

The costs would need to take into account the costs imposed/removed by the Commonwealth as well as the costs imposed/removed by states and territories.

For example, if as part of a COAG reform the Commonwealth removes regulations resulting in a reduction of regulatory costs to business of \$10 million per year, but as part of the agreed reform states and territories are required to impose additional requirements resulting in new costs to business of \$2 million per year, then savings of \$8 million per year would be counted towards the Commonwealth's red tape reduction target.

This requirement is not intended to capture all decisions by Ministerial Councils and intergovernmental standard-setting bodies, especially where the Commonwealth has limited influence over the final decision. It applies to those reforms where the Commonwealth is a direct party to the reform or where there is a direct Commonwealth intervention.

## **9. Quantification of costs and cost offsets**

All RISs must quantify the regulatory costs to business, community organisations and individuals of new regulations and identify (in dollar terms) measures that offset the cost impost of the new regulations. The costs and offsets must be quantified using the Commonwealth RBM framework discussed in Attachment A.

The regulatory costs of the new regulation are a subset of the broader costs and benefits that need to be taken into account when assessing the merits of a particular regulation. However, undertaking a full cost benefit analysis for every proposal is impractical, for example where the proposals are not likely to be highly significant. In such cases the time and expense involved in a full cost benefit analysis may not be justified. Nevertheless, the benefits of a new regulation must still be explored.

As such, the level of analysis required in a RIS should be commensurate with the overall effects of the proposal. As a general rule, for straightforward C and D level RISs, using the RBM framework will represent the minimum impact analysis required. For A and B level RISs, and those which have complex distributional issues, additional analysis will be necessary. Refer to Element 4 of Chapter 7 of the handbook for further information on impact analysis.

Detailed information on quantifying the costs and cost offsets can be found in Attachment A, *Commonwealth Regulatory Burden Measurement (RBM) framework*.

### Quantifying the cost to business and the community

- A. All RISs must quantify the administrative, substantive compliance and delay costs to business, community organisations and individuals of new regulations using the RBM framework. The RBM framework is supported by the modified version of the Australian Government Business Cost Calculator (BCC) and departments are required to use the BCC to quantify costs and offsets. The BCC and associated guidance material can be accessed at the following link <https://bcc.obpr.gov.au/>.
- B. The following table must be populated and reproduced in the RIS (or in the certification letter for independent reviews).
- C. OBPR prescribes default wage rates which are contained in Attachment D. Where the use of rates other than the prescribed defaults is appropriate these must be agreed by the OBPR.

### Regulatory Burden and Cost Offset (RBCO) Estimate Table

Average Annual Compliance Costs (from Business as usual)				
Costs (\$m)	Business	Community Organisations	Individuals	Total Cost
<b>Total by Sector</b>	\$	\$	\$	\$
Cost offset (\$m)	Business	Community Organisations	Individuals	Total by Source
<b>Agency</b>	\$	\$	\$	\$
<b>Within portfolio</b>	\$	\$	\$	\$
<b>Outside portfolio</b>	\$	\$	\$	\$
<b>Total by Sector</b>	\$	\$	\$	\$
<b>Proposal is cost neutral?</b> <input type="checkbox"/> yes <input type="checkbox"/> no				
<b>Proposal is deregulatory</b> <input type="checkbox"/> yes <input type="checkbox"/> no				
<b>Balance of cost offsets</b>	\$			

### **Quantifying cost offsets**

- A. The Commonwealth RBM framework must be used for the estimation of cost offsets.
- B. The cost offsets are not limited to reductions in regulation. Offsets can also be in the form of improvements in the way regulation is administered.
- C. The cost offsets are not constrained to the portfolio but where possible they should target the same group of stakeholders as the cost impost. For example, a new regulation that has a regulatory burden to small business of \$30 million a year should aim to be offset by measures that provide \$30 million in cost savings or efficiency benefits to small business over the same year(s).
- D. Offsets can be sourced from outside the portfolio if agreed by relevant ministers and this must be specified in the RIS.
- E. Offsets that exceed the costs of a new regulatory proposal can be used to offset other regulatory proposals, or can be counted toward the red tape reduction target. However, all excess offsets will be reconciled to the red tape target every twelve months.
- F. Offsets must be measurable and practical.
- G. For proposals that reduce total regulatory costs, cost offsets are not required.
- H. Generally, all proposals will be costed over a 10 year period (but presented as average annual figures in the RBCO estimate table), with requests for shorter or longer timeframes to be agreed by OBPR.

### **10. Further information**

For further information, including on the use of the Business Cost Calculator, OBPR can be contacted on:

**Email:** [helpdesk@obpr.gov.au](mailto:helpdesk@obpr.gov.au)

**Twitter:** [@OBPRGov](https://twitter.com/OBPRGov)

**Phone:** (02) 6271 6270

## Attachment A. Commonwealth Regulatory Burden Measurement (RBM) framework

All RISs must quantify the regulatory costs using the RBM framework that includes consideration of the following regulatory costs as a minimum:

- Compliance costs:
  - Administrative costs
    - Costs incurred by regulated entities primarily to demonstrate compliance with the regulation, usually record keeping and reporting costs, and the compliance costs associated with financial costs. This includes the costs incurred through complying with government taxes, fees, charges and levies (excluding the actual amount paid). For example, the time taken to pay a licence fee.
  - Substantive compliance costs
    - Costs that directly lead to the regulated outcomes being sought, usually purchase and maintenance costs.
    - Includes purchase and maintenance of plant and equipment to meet regulatory requirements, fees paid to training providers, provision of information to third parties, and operational purchases such as energy costs.
- Delay costs:
  - Expenses and loss of income incurred by a regulated entity through:
    - An application delay, i.e. the time taken to complete an administrative application requirement that prevents the affected party from commencing its intended operations; or
    - An approval delay, i.e. a delay in the time taken by the regulator to communicate a decision regarding the administrative application that prevents the affected party from commencing its intended operations. This includes the time taken to assess and consider an application.

### Exclusions from the RBM

The following costs are excluded from the RBM:

- a) Opportunity costs (unless they relate to a delay) – the quantification of opportunity costs is difficult due to the complexity in accurately predicting what a business would do in response to the removal or lessening of a regulation. Estimating these costs in a defensible way would require detailed economic modelling that most departments could not perform within existing resources. The effort required to obtain such estimates would only be worthwhile when measuring changes to the largest regulatory regimes.
- b) Business-as-usual costs – the RBM would measure regulatory burden over and above what a normally efficient business would undertake in the absence of regulation.

- c) The costs of non-compliance – this includes costs such as fines for failing to comply with a regulation and legal fees.
- d) Indirect costs – these are costs that arise indirectly from the impacts of regulatory changes, including changes to market structure and competition impacts.
- e) Direct financial costs – charges attached to a regulation which are payable to government, such as administrative charges; licence and permit fees; levies and mandatory insurance premiums (where remitted to government).
  - i. Taxes are not within scope of the RBM. While taxes are often perceived by business to be a burden, they are a revenue raising measure and not strictly a cost associated with regulation.
- f) Regulatory impacts related to:
  - i. regulations imposed as a prerequisite to participation in international markets, such as air worthiness directives; and
  - ii. criminal laws and the administration of courts and tribunals.
- g) Internal Commonwealth Government red tape – that is, all regulation imposed by the Commonwealth on Commonwealth departments or agencies, other than regulation imposed by or on Government Business Enterprises.

Agencies are required to use the modified Business Cost Calculator (BCC) to quantify the costs and cost offsets.

The following table, a Regulatory Burden and Cost Offset (RBCO) estimate, must be populated and included in a RIS (or certification letter associated with an independent review) including for matters that are solely deregulatory.

### Regulatory Burden and Cost Offset (RBCO) Estimate Table

Average Annual Compliance Costs (from Business as usual)				
Costs (\$m)	Business	Community Organisations	Individuals	Total Cost
<b>Total by Sector</b>	\$	\$	\$	\$
Cost offset (\$m)				
Agency	Business	Community Organisations	Individuals	Total by Source
<b>Within portfolio</b>	\$	\$	\$	\$
<b>Outside portfolio</b>	\$	\$	\$	\$
<b>Total by Sector</b>	\$	\$	\$	\$
<b>Proposal is cost neutral?</b> <input type="checkbox"/> yes <input type="checkbox"/> no				
<b>Proposal is deregulatory</b> <input type="checkbox"/> yes <input type="checkbox"/> no				
<b>Balance of cost offsets</b>	\$			

In terms of quantifying the costs and cost offsets:

- agencies are required to present the average annual impact of the regulatory change over a ten year period.
  - for proposals, for which the cost does not vary over time, the impact of the change in the first year should be treated as the average annual impact;
  - for proposals that impose varying costs over time, the total change over the duration of the proposal should be divided by that duration to calculate the average annual impact; and
  - for one-off and start-up costs, the one-off cost should be divided by the duration of the proposal to calculate the average annual impact.
- the average annual change in regulatory costs is measured against the ‘business as usual’ (BAU) costs. Therefore, the costs should be the burden over and above what a normally efficient business would undertake in the absence of the regulation.
- all new regulations must have (at least) a cost neutral impact on business, community organisations and individuals. Therefore, the regulatory cost offsets identified in the table above must be greater than or equal to the quantification of regulatory costs of the new regulation.
- the cost offsets are not limited to reductions in regulation. Offsets can be in the form of efficiency benefits or changes to the way in which regulation is administered.

- the cost offsets are not constrained to the agency or portfolio; but where possible they must target the same group of stakeholders as the cost impost.
- where offsets are sourced from another portfolio, agreement must be reached between the relevant Ministers and this must be specified in the RIS (or certification letter for an independent review).
- regulatory offsets that exceed the costs of a new regulatory proposal can be used to offset other regulatory proposals, or can be counted toward the target. However, all excess offsets will be reconciled to the red tape target every twelve months.
- offsets must be measurable and practical.
- for proposals that reduce total regulatory burden, cost offsets are not required.
- generally, all proposals will be costed over a 10 year period (but presented in the RBCO estimate table as average annual figures), with requests for shorter or longer timeframes to be agreed by OBPR.

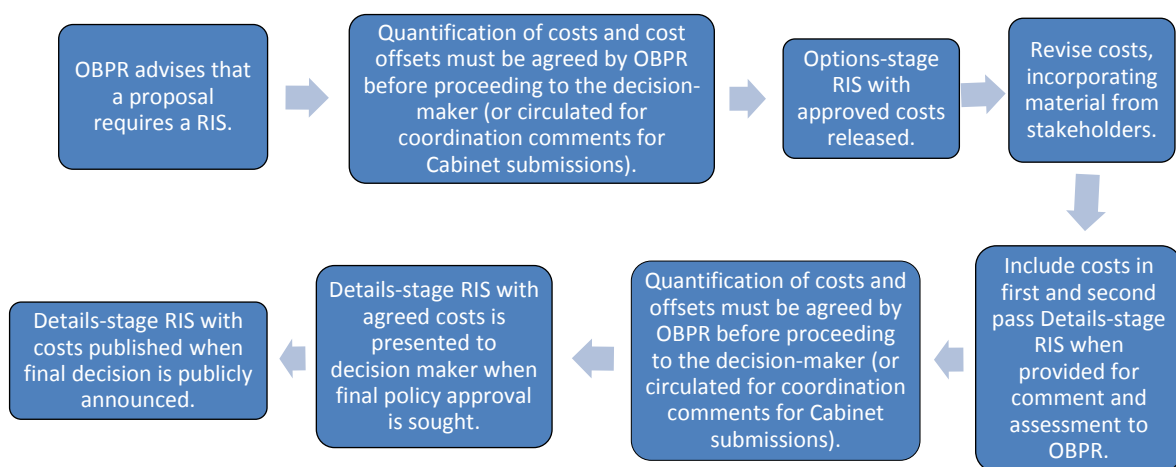
## 1. When to estimate changes in regulatory burden

Agencies are required to quantify the administrative, substantive compliance and delay costs associated with a proposal and identify cost offsets using the RBM and summarise the information using the above RBCO table.

Before RISs can proceed to the decision maker (or be circulated for coordination comments in the case of Cabinet Submissions), the quantification of regulatory costs and regulatory cost offsets must be agreed by OBPR, except for solely deregulatory proposals. OBPR's agreement to the costing information does not constitute support for the policy or an assessment of the adequacy of the RIS. In assessing the costing information OBPR will consider:

- Are the assumptions reasonable?
- How has 'business as usual' been defined?
- How has a normally efficient business been defined?
- Are the data sources referenced?
- Are there basic errors in the maths?
- Have offsets been identified?
- Are the offsets practical?
- At the details-stage RIS, have the costs and offsets been tested with business?

The figure below explains the process for preparing a RBCO table within the RIS process. For further details about RIS processes, refer to the Best Practice Regulation Handbook.



As shown above, the options-stage RIS must include an estimate of the regulatory costs of the proposal and potential cost offsets.



## 2. How to estimate changes in regulatory burden using the RBM

Before using the RBM, consider the obligations that are being placed on business, community organisations and individuals. Think about administrative, substantive compliance and delay costs that businesses, community organisations and individuals may be facing. For example:

- What activities will businesses have to undertake under the new or revised regulation?
- How will community organisations comply with the new or revised regulation?
- What equipment will businesses have to acquire?
- What changes to existing processes may be required by individuals?

In order to think about how businesses, community organisations and individuals might be affected under a proposed regulation, it is important to identify how these stakeholders currently operate under existing regulatory or non-regulatory environments. This will assist in identifying “business as usual” costs and quantifying the changes to the regulatory burden.

The quantification of costs in the RBM framework must be undertaken using the modified BCC. The BCC can be accessed at the following link <https://bcc.obpr.gov.au/>. An online manual is available at <http://www.dpmc.gov.au/deregulation/obpr/bcc/index.cfm>. OBPR is in the process of updating the BCC and its manual to reflect the revised best practice regulation requirements. The following steps should be followed in quantifying the regulatory costs of regulation and the associated cost offsets.

Broadly, there are five steps to be undertaken in using the BCC:

- Create new file/s under the BCC for each stakeholder;
- Consider the nature of the costs (start-up, ongoing fixed/variable);
- Undertake the costing of the relevant three regulatory costs (administrative, compliance and delay costs) using the relevant BCC cost categories;
- Estimate cost offsets to business, community organisations and individuals; and
- Summarise the information (costs and cost offsets) in the RBCO for inclusion in a RIS<sup>19</sup> subject to OBPR agreement.

### *STEP 1: STARTING THE BCC*

Once you have selected ‘Start new file’, the first step in the BCC is to enter in an overview (this could simply refer to the nature of the proposal being costed). Make sure you save the file for future use.

When considering a proposal, a new file should be created for each stakeholder group (businesses, community organisations and individuals). This means that three separate BCC costing files should be created if the proposal impacts all three stakeholders.

### *STEP 2: ENTERING COMPLIANCE COST CONSTRAINTS*

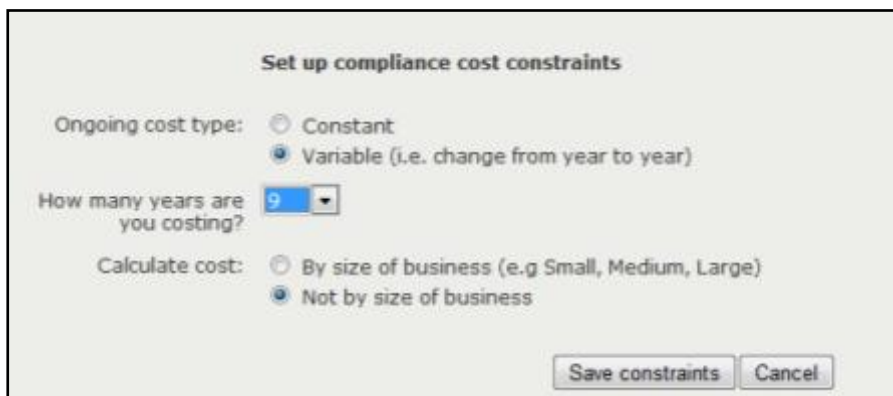
Enter ‘compliance cost constraints’. There are four possible combinations for the constraints on offer using constant or variable ongoing cost and the size of business. Keep in mind, for the purposes of using the BCC, the term “business” can be applied to community organisations and individuals until the BCC is updated.

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<sup>19</sup> Or in the Secretary / Deputy Secretary certification letter where an independent review is used in lieu of a RIS.

*Are the ongoing costs constant or variable?*

If the task is variable this means that costs are expected to change from year to year. The default duration of a regulatory change should be taken as 10 years. As an example, if a cost is expected to occur every 3 years over the next 9 years (so the duration in this case is 9 years) the constraints should be entered into the BCC as:



**Set up compliance cost constraints**

Ongoing cost type:  Constant  
 Variable (i.e. change from year to year)

How many years are you costing?

Calculate cost:  By size of business (e.g Small, Medium, Large)  
 Not by size of business

*Do costs vary by size of business?*

Where the effect of an option on businesses/community organisations/individuals can vary significantly consideration should be given to whether the sector should be disaggregated into small, medium and large cohorts. This will provide you with important information about the regulatory burden on different groups of stakeholders.

### *STEP 3: COSTING ACTIVITIES IN THE BCC*

Identify each activity that is required to be costed under each option. Costing starts at the 'activity level'. Once you select 'Create an activity costing' the BCC prompts you to enter a cost category.

As discussed above, there are three cost categories that should be considered: administrative costs, substantive compliance costs and delay costs. The BCC considers 9 different cost categories which are notification, education, permission, purchasing, record keeping, enforcement, publication and documentation, procedural and other. Although the BCC is split into 9 different cost categories, with the exception of 'purchase cost', the cost categories are all labour activity-based costs.

If the cost is an administrative cost, this would normally be considered a labour cost but in some cases may be a purchase cost. For substantive compliance costs this would normally be a purchase cost. If the task is a labour task then one of the 8 categories apart from 'purchase cost' should be selected. Note that it does not matter which category is used from these 8 as the formula is the same for all of them. The formula used for a labour cost is:

$$\begin{aligned}\text{Labour cost} &= P \times Q \\ &= (\text{Time Required} \times \text{Labour Cost}) \times (\text{Times Performed} \times \text{Number of} \\ &\quad \text{Businesses} \times \text{Number of staff})\end{aligned}$$

Where:

**Time required** is the internal time required per staff, in hours, for businesses to perform a regulatory task.

**Labour Cost** is the hourly wage rate plus any non-wage costs of employees. Hourly wage rate is the gross wage received by an employee. Non-wage costs of employees should include any ongoing costs associated with the wage, such as payroll tax and superannuation, as well as any overhead costs such as rent, telephone and IT equipment, where applicable. Attachment D provides more information on OBPR-prescribed wage rates as well as the treatment of on-costs and overheads.

**Times Performed** allows you to enter in the number of times an activity was performed per year per staff. For example, if something is required twice a month you would enter in 24.

**Number of Businesses** affected by a particular regulatory obligation. Consideration should be given to the expected compliance rate and whether this would have an impact on the number of businesses.

**Number of staff** is the number of staff per business who will be performing the activity.

Costs must also be entered in as either start-up or ongoing costs.

If the task is a purchase task (whether a purchase of goods or services) then the 'purchase cost' category should be selected. The formula used for a purchase cost is:

$$\begin{aligned} \text{Purchase cost} &= P \times Q \\ &= (\text{Purchase cost}) \times (\text{Times Performed} \times \text{Number of Businesses}) \end{aligned}$$

Where:

**Purchase cost** is either the cost of purchasing a product or service (this could be the purchase of external services).

As an example, business are required to purchase a machine when they start-up an operation that they would not have normally purchased. Therefore, the costs would be entered into the BCC as:

The screenshot shows a form titled "Create an activity costing" with the following fields and values:

- Activity name: Machine (Mandatory)
- Cost category: purchase cost
- Cost type:  Product (outsourced),  Service (outsourced)
- Start-up or ongoing?:  Start-up cost,  Ongoing cost per year
- Number of businesses affected by activity: 100
- Number of times product purchased: 1
- Purchase cost per activity (\$): 25000
- Level of certainty of ALL costing info:  High,  Medium,  Low

Note that the box checked in the 'Level of certainty of ALL costing info' section does not change the way costs are calculated.

Measuring delay costs is more complex and may not necessarily involve labour costs or purchase costs. For example, cost of employing specialised labour for the purposes of government record keeping for a new product while there has been a delay in approving that new product by the government. Often, once regulations are implemented, these costs could be considered as administrative and/or compliance costs.

Delay costs are also incurred when a regulated entity is only waiting on government action to commence trading. For example, an entity may have to wait six months to obtain government approvals to sell a product on the Australian market. Where the entity is otherwise able to commence trading on the day they lodge their application (because they already supply the product overseas), the delay costs will comprise lost sales over the six month approvals period. If the entity is not ready to commence trading until four months after lodging the application (because it is yet to commence production or to find resellers), then the delay costs will comprise only two months of lost sales.

Agencies should contact OBPR if they believe that a proposed regulation is likely to impose delay costs on businesses, community organisations and individuals for further guidance on incorporating these costs in the RBCO table in RISs.

#### *STEP 4: COST OFFSETS*

Cost offsets to business, community organisations and individuals must also be estimated using the BCC and use consistent assumptions. The procedures are similar to the ones discussed above. However, the cost offsets must identify the reduction in regulatory costs to business, individuals and community organisations. As with costings of regulatory proposals, understanding the “baseline” and estimating the change in cost offsets will be important.

#### *STEP 5: COMPLETING THE RBCO REPORT*

The RBCO report needs to be completed for inclusion in the RIS. The data in the table must be derived from the BCC.

**Regulatory Burden and Cost Offset (RBCO) Estimate Table**

Average Annual Compliance Costs (from Business as usual)				
Costs (\$m)	Business	Community Organisations	Individuals	Total Cost
<b>Total by Sector</b>	\$	\$	\$	\$
Cost offset (\$m)	Business	Community Organisations	Individuals	Total by Source
<b>Agency</b>	\$	\$	\$	\$
<b>Within portfolio</b>	\$	\$	\$	\$
<b>Outside portfolio</b>	\$	\$	\$	\$
<b>Total by Sector</b>	\$	\$	\$	\$
<b>Proposal is cost neutral?</b> <input type="checkbox"/> yes <input type="checkbox"/> no				
<b>Proposal is deregulatory</b> <input type="checkbox"/> yes <input type="checkbox"/> no				
<b>Balance of cost offsets</b>	\$			

Note that the above table should show the average annual cost of complying with the regulation over the likely duration of the proposal. In most cases the proposal can be costed over a 10 year period and other timeframes should be agreed to by OBPR.

Results can be viewed by selecting 'See your compliance cost reports' and then selecting report type as 'Business Cost Calculator report' if the proposal involves constant costs only and 'Business Cost Calculator present report' if the proposal involves variable costs. However, some changes may be needed to the report to include them in the above RBCO table, especially to make sure that the proposal is costed over a particular period. See the 'Frequently Asked Questions' section of Attachment B for more specific guidance.

The costings from the BCC can also be exported to MS Excel. These, along with other information such as assumptions used for the costings, must be provided to OBPR for the approval process.

A simple example is provided in Attachment B to illustrate use of the BCC.

## Attachment B. An example using the BCC

The below section provides a simple example to show how to use the BCC to produce output for the RBCO table.

### Example

All businesses and community organisations are required to provide training to their employees on OH&S every year and report on the number of employees in their organisation that have completed the training each year.

The administrative costs (that is, the costs to demonstrate compliance) associated with the proposal are that business and community organisations will have to collect information and report information on the number of employees in their organisation that have completed training each year. Collecting the information would involve tracking the training attended by each employee. Reporting would be through a simple online reporting mechanism.

The substantive compliance costs (costs directly leading to the regulated outcome) in this case would be the cost of providing the training, assuming that a normally efficient business/community organisation could provide the training in house.

There would be no delay costs.

### Step 1 – Starting the BCC

Select 'Start new file' and add an overview. This file will focus on business costs only (a separate file should be created for community organisations). The overview should help OBPR identify which proposal relates to the BCC file.

The screenshot shows a software interface with two main panels. The left panel, titled 'Start here...', has two sections: 'Create a new BCC costing file' with a 'Start new file' button, and 'Open an existing BCC costing file' with a text input field, a 'Browse...' button, and an 'Open existing file' button. The right panel, titled 'Proposal: to be created...', shows a step indicator '1' followed by 'Add overview'. Below this, it says 'Your proposal's problem and objective go here. There is no information saved.' and a note: 'Note: you can skip this step if you only want to do a costing.' At the bottom of this panel is a blue arrow pointing right and the text 'Add overview'.

Add overview	
Department / Agency	Department of XYZ
Proposal name	Training changes
Problem being addressed	Refer to RIS
What regulation is already in place?	Refer to RIS
What are the objectives?	Refer to RIS
Why is government action needed?	Refer to RIS
Feedback / comments from consultation	Refer to RIS
Reference number	OBPR reference number XXXXX

### Step 2 – Entering compliance cost constraints

Now set up compliance cost constraints. Since this proposal is an ongoing requirement to provide training each year, there are no variable costs.

**2 Calculate costs**

Before you start, set up your compliance cost constraints e.g. are you costing by size of business?

➔ [Set up compliance cost constraints](#)

**Set up compliance cost constraints**

Ongoing cost type:  Constant  
 Variable (i.e. change from year to year)

How many years are you costing?

Calculate cost:  By size of business (e.g Small, Medium, Large)  
 Not by size of business

### Step 3 – Costing activities in the BCC

Now create options and tasks/activities. The key here is to name the options appropriately so that it is easy to pull the costs from the final BCC output into the RBCO table.

Here, you create options, tasks and activity costings ..

➔ [Create options, tasks & activity costings](#)

The option we are considering is to place training and reporting requirements on business and community organisations. Looking at business:

**Create an option**  
All fields are mandatory (unless otherwise marked).

Option name:

Option description:

Total number of businesses affected:

Level of certainty of the number of businesses affected:  High  Medium  Low

Supporting evidence (optional):

Now that an option has been added you can create a task or tasks for each option.

**1 Add overview** Show  
Edit your proposal's problem and objective here.  
[Edit "Training changes"](#)

**2 Calculate costs** Hide  
Before you start, set up your compliance cost constraints e.g. are you costing by size of business?  
[Set up compliance cost constraints](#)

You can now create another new option, edit the current option or create a task.

Delete	Copy	Order		Cost	<a href="#">Create Option</a>
<input type="checkbox"/>	<a href="#">Copy</a>	1 <a href="#">reorder</a>	▾ <a href="#">Business - Training requirements</a>	to do	<a href="#">Create task</a>
<input type="checkbox"/>	<a href="#">Copy</a>	1.1 <a href="#">reorder</a>	▸ <a href="#">Administrative Costs</a>	to do	<a href="#">Create activity costing</a>

[Hide tasks](#) | [Hide activities](#)

**3** [See your compliance cost reports](#)

Now 'Create activity costing'. The first activity costing is for the requirement to collect information on who undertook training. This wouldn't involve any purchase of a new system as it is assumed that it could be done through existing systems. The labour cost used is the economy-wide default value for non-managerial employees of \$34.20 per hour in line with the default wage rates in Attachment D. The labour cost should include the ongoing costs (on-costs) associated with the wage, which includes payroll tax and superannuation, but exclude any overhead costs (such as rent, IT costs etc.) as the requirement to undertake OH&S training in this example would not raise the cost of overheads above the status quo. Therefore the wage would be worked out using the wage calculator in the BCC.



**Create an activity costing**

Activity name  Mandatory

Cost category

Cost type  Labour (internal)

Start-up or ongoing?  Start-up cost  
 Ongoing cost per year

Number of businesses affected by activity

Number of staff per business performing activity

Number of times activity performed per year per staff

Avg. time of each staff to do activity (in hours)

Labour cost (\$/hr)  [Create/choose wage](#)  
(wage + non-wage labour costs)  
 Visit the [Workplace Authority](#) for wage info

Level of certainty of ALL costing info  High  
 Medium  
 Low

From the screen above select 'Create/choose wage' to include ongoing costs in the labour cost, the below screen will appear and the process for filling it out can be seen in the below example.

[Show all help](#)

Choose a wage

Existing wage

Wage name   
 Position name

Wage details   
 Wage cost (\$/hr)

Total non-wage labour cost rate  %  
(as a percentage of wage cost).

Total labour cost (\$/hr)

The 'Total non-wage labour cost rate' is automatically filled in as 16 per cent<sup>20</sup> and the wage cost was taken from the default wage rates in Attachment D. Therefore, the total labour cost that is applied is \$39.67.

Now create the second activity costing for the requirement to report information through the online reporting mechanism, using the same total labour cost.

<sup>20</sup> Note, the default figure for the non-wage labour cost rate is 16 per cent, but can be modified to take account of overheads such as rent and IT costs, where applicable. See Attachment D for more information on default wage rates.

### Create an activity costing

Activity name  Mandatory

Cost category

Cost type  Labour (internal)

Start-up or ongoing?  Start-up cost  
 Ongoing cost per year

Number of businesses affected by activity

Number of staff per business performing activity

Number of times activity performed per year per staff

Avg. time of each staff to do activity (in hours)

Labour cost (\$/hr (wage + non-wage labour costs)  [Create/choose wage](#)  
 Visit the [Workplace Authority](#) for wage info

Level of certainty of ALL costing info  High  
 Medium  
 Low

Therefore, the output at this stage is:

**2 Calculate costs** Hide

Before you start, set up your compliance cost constraints e.g. are you costing by size of business?

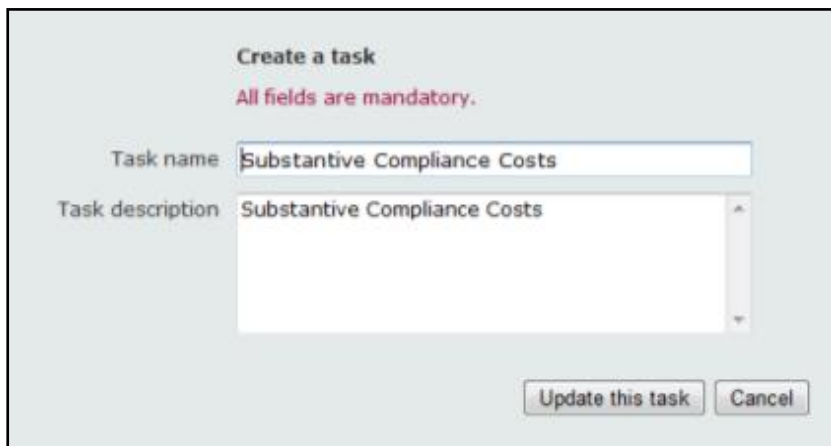
➔ [Set up compliance cost constraints](#)

You can now create another new option, edit the current option or create a task.

Delete	Copy	Order		Cost	<a href="#">Create Option</a>
<input type="checkbox"/>	<a href="#">Copy</a>	1 <a href="#">reorder</a>	Business - Training requirements	\$69,819,200.00	<a href="#">Create task</a>
<input type="checkbox"/>	<a href="#">Copy</a>	1.1 <a href="#">reorder</a>	Administrative Costs	\$69,819,200.00	<a href="#">Create activity costing</a>
<input type="checkbox"/>	<a href="#">Copy</a>	1.1.1 <a href="#">reorder</a>	Collect information	\$47,604,000.00	
<input type="checkbox"/>	<a href="#">Copy</a>	1.1.2 <a href="#">reorder</a>	Report information	\$22,215,200.00	

Your activity has been updated.

Now create a new task to look at substantive compliance costs:



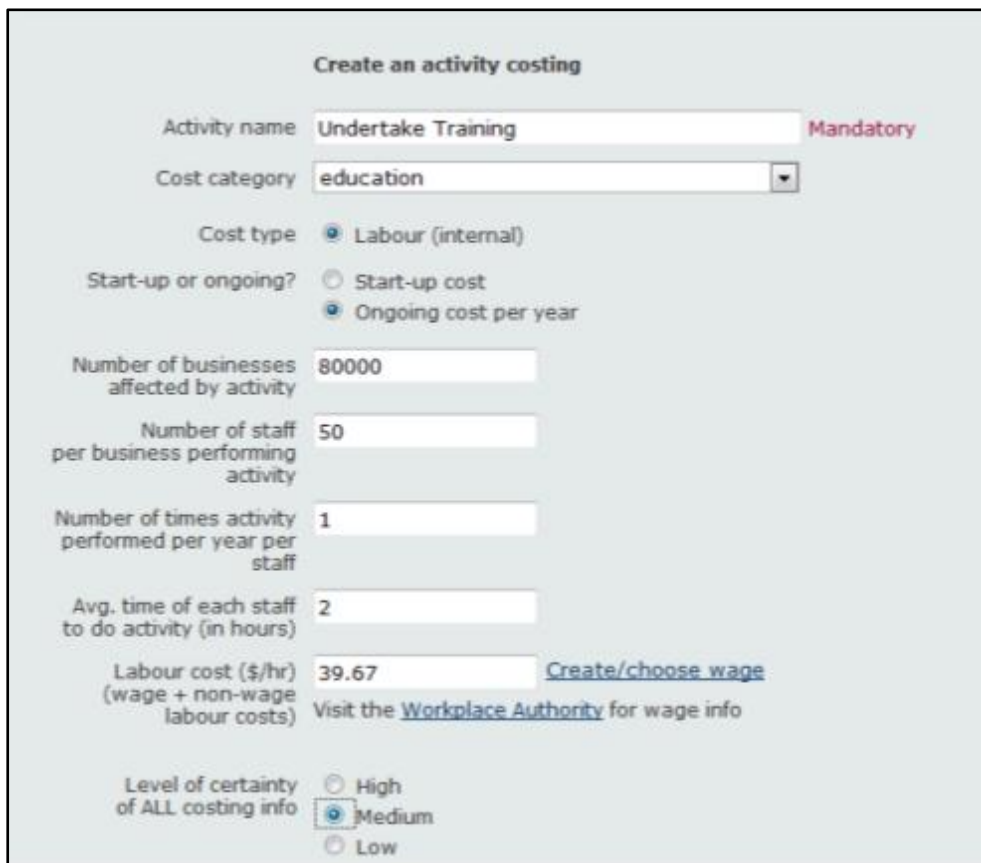
**Create a task**  
All fields are mandatory.

Task name: Substantive Compliance Costs

Task description: Substantive Compliance Costs

Update this task Cancel

The only substantive compliance cost activity is to undertake training, so the cost of all employees now having to undertake training in each business (using the same total labour cost):



**Create an activity costing**

Activity name: Undertake Training **Mandatory**

Cost category: education

Cost type:  Labour (internal)

Start-up or ongoing?:  Start-up cost  Ongoing cost per year

Number of businesses affected by activity: 80000

Number of staff per business performing activity: 50

Number of times activity performed per year per staff: 1

Avg. time of each staff to do activity (in hours): 2

Labour cost (\$/hr) (wage + non-wage labour costs): 39.67 [Create/choose wage](#)  
Visit the [Workplace Authority](#) for wage info

Level of certainty of ALL costing info:  High  Medium  Low

The final output reads:

**2 Calculate costs**  
 Before you start, set up your compliance cost constraints e.g. are you costing by size of business?  
[Set up compliance cost constraints](#)

You can now create another new option, edit the current option or create a task.

Delete	Copy	Order		Cost	Create Option
<input type="checkbox"/>	<a href="#">Copy</a>	1 <a href="#">reorder</a>	Business - Training requirements	\$387,179,200.00	<a href="#">Create task</a>
<input type="checkbox"/>	<a href="#">Copy</a>	1.1 <a href="#">reorder</a>	Administrative Costs	\$69,819,200.00	<a href="#">Create activity costing</a>
<input type="checkbox"/>	<a href="#">Copy</a>	1.1.1 <a href="#">reorder</a>	Collect information	\$47,604,000.00	
<input type="checkbox"/>	<a href="#">Copy</a>	1.1.2 <a href="#">reorder</a>	Report information	\$22,215,200.00	
<input type="checkbox"/>	<a href="#">Copy</a>	1.2 <a href="#">reorder</a>	Substantive Compliance Costs	\$317,360,000.00	<a href="#">Create activity costing</a>
<input type="checkbox"/>	<a href="#">Copy</a>	1.2.1 <a href="#">reorder</a>	Undertake Training	\$317,360,000.00	

*Your activity has been updated.*

Now a report can be generated, select 'See your compliance cost reports' and select 'Business Cost Calculator report'. The final report would be:

**Business Cost Calculator report** [Export to Excel](#)

<b>Proposal name</b>	Training changes	
<b>Reference number</b>	OBPR reference number XXXXX	
<b>Problem and objective</b>		
<b>Problem</b>	Refer to RIS	
<b>Objective</b>	Refer to RIS	
<b>Explanatory information</b>		
Not applicable		
<b>Option 1</b>		
<b>Option name</b>	Business - Training requirements	
<b>Option description</b>	Businesses would be required to provide training to their employees on OH&S every year and report on the number of employees in their organisation that have completed the training each year.	
<b>Businesses affected</b>	80,000	
	<b>Cost per business</b>	<b>Total cost for all businesses</b>
Start up cost	\$0.00	\$0.00
Ongoing compliance cost per year	\$4,839.74	\$387,179,200.00

The same process would be completed for community organisations<sup>21</sup> before completing the RBCO table.

<sup>21</sup> For the sake of brevity, the same calculations required in this example for community organisations are not presented.

#### Step 4 – Cost offsets

The same process completed above for businesses (and community organisations) would then need to be repeated for the cost offsets.

#### Step 5 – Completing the RBCO report

From the output generated at Step 3, the RBCO table can start to be populated. Since there are no start-up costs or variable costs, no adjustments need to be made to the figures to produce an average annual cost. Therefore, the figures from the report above can be used. The results are presented in the below table:

*Regulatory Burden and Cost Offset (RBCO) Estimate Table*

Average Annual Compliance Costs (from Business as usual)				
Costs (\$m)	Business	Community Organisations	Individuals	Total Cost
<b>Total by Sector</b>	\$387.2	\$	\$	\$
Cost offset (\$m)				
Agency	\$	\$	\$	\$
Within portfolio	\$	\$	\$	\$
Outside portfolio	\$	\$	\$	\$
<b>Total by Sector</b>	\$	\$	\$	\$
<b>Proposal is cost neutral?</b>	<input type="checkbox"/> yes <input type="checkbox"/> no			
<b>Proposal is deregulatory</b>	<input type="checkbox"/> yes <input type="checkbox"/> no			
<b>Balance of cost offsets</b>	\$			

Therefore, the average annual cost of complying with the regulation for business is approximately \$387.2 million over 10 years. In this example, the same process would be completed for community organisations as well as for offsets to finish completing the above table.

## Attachment C. Frequently Asked Questions

### **Is quantification of regulatory costs required for all Cabinet Submissions?**

Yes, although the results may be that the final Regulatory Burden and Cost Offset output is zero.

### **What proposals must be costed in a Cabinet Submission?**

All proposals must be costed where agreement from Cabinet is sought.

### **When is a cost offset not required?**

A cost offset is not required if the proposed change will result in a reduction in regulatory costs, but costs must still be agreed with OBPR.

### **Is use of the BCC mandatory?**

The quantification of regulatory costs and associated offsets must use the modified version of the Australian Government Business Cost Calculator (BCC).

### **Are all costs of a regulation required to be quantified in the Regulatory Burden and Cost Offset estimate table?**

No, only the administrative and substantive costs of complying with a regulation need to be quantified, delay costs should be considered and costed where practical.

Other impacts, such as opportunity costs<sup>22</sup> or impacts on competition should be considered in the RIS, and would be expected for A and B level RISs as part of a broader cost benefit analysis.

### **What is the default duration of a regulation?**

10 years.

### **What happens if the cost offset is greater than the costs associated with the proposal?**

Regulatory offsets that exceed the costs of a new regulatory proposal can be used to offset other regulatory proposals, or can be counted toward the target. All excess offsets will be reconciled towards the red tape reduction target every 12 months.

### **Do costs need to be agreed by OBPR for both RISs?**

For all regulatory proposals considered by Cabinet, and for non-Cabinet regulatory proposals with impacts that are more than minor or machinery in nature, the quantified costs and the identified offsets must be agreed by OBPR at both the options-stage RIS and details-stage RIS.

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<sup>22</sup> Opportunity costs are the value of opportunities that cannot be realised because of the regulatory intervention.

**For deregulatory proposals, how should the RBCO table be completed?**

For proposals that result in reductions in regulatory burden, the proposal should be entered as a negative in the RBCO Estimate table.

For instance, a proposal saves business \$400,000 per year over 10 years and there are no identified new regulations at this stage. The final RBCO table would read:

***Regulatory Burden and Cost Offset (RBCO) Estimate Table***

Average Annual Compliance Costs (from Business as usual)				
Costs (\$m)	Business	Community Organisations	Individuals	Total Cost
<b>Total by Sector</b>	(\$0.4)	\$0	\$0	(\$0.4)
Cost offset (\$m)				
Agency	Business	Community Organisations	Individuals	Total by Source
Within portfolio	\$	\$	\$	\$
Outside portfolio	\$	\$	\$	\$
<b>Total by Sector</b>	\$	\$	\$	\$
<b>Proposal is cost neutral?</b> <input checked="" type="checkbox"/> yes <input type="checkbox"/> no				
<b>Proposal is deregulatory</b> <input checked="" type="checkbox"/> yes <input type="checkbox"/> no				
<b>Balance of cost offsets</b> <b>\$400,000</b>				

**How to complete the RBCO table, using the BCC, for start-up costs?**

For start-up costs, the start-up cost would be divided by the expected duration. If the cost is a start-up cost, the ‘Business Cost Calculator report’ presents the total start up cost and ongoing compliance cost per year for all businesses. As an example:

	Cost per business	Total cost for all businesses
Start up cost	\$1,000.00	\$80,000.00
Ongoing compliance cost per year	\$273.00	\$21,840.00

As you can see the start-up costs are separated out. Assuming the default duration is 10 years, the average annual cost of complying with the regulation would be:

$$(\$80,000/10)+21,840 = \$29,840$$

## How to complete the RBCO table, using the BCC, if the cost is variable?

In relation to variable costs, using the example discussed on page 6 in the compliance cost restraints section, the cost is expected to occur every 3 years over the next 9 years. For this proposal three activity costings would need to be created, one for year 3, 6 and 9. The activity costing for year 3 would read:

**Create an activity costing**

Activity name  Mandatory

Cost category

Cost type  Labour (internal)

Start-up or ongoing?  Start-up cost  
 Ongoing cost per year

What year are you costing?

Number of businesses affected by activity

Number of staff per business performing activity

Number of times activity performed per year per staff

Avg. time of each staff to do activity (in hours)

Labour cost (\$/hr)  [Create/choose wage](#)  
(wage + non-wage labour costs) Visit the [Workplace Authority](#) for wage info

Level of certainty of ALL costing info  High  
 Medium  
 Low

The same process should be completed for year 6 and year 9. The final main page would read:

**2 Calculate costs** Hide

Before you start, set up your compliance cost constraints e.g. are you costing by size of business?

[Set up compliance cost constraints](#)

You can now create another new option, edit the current option or create a task.

Show costings for:  | Year

Delete	Copy	Order	Year	Cost	Create Option	
<input type="checkbox"/>	<a href="#">Copy</a>	1 <a href="#">reorder</a>	▼ <b>Option</b>		\$135,000.00	<a href="#">Create task</a>
<input type="checkbox"/>	<a href="#">Copy</a>	1.1 <a href="#">reorder</a>	▼ <b>Variable Cost</b>		\$135,000.00	<a href="#">Create activity costing</a>
<input type="checkbox"/>	<a href="#">Copy</a>	1.1.1 <a href="#">reorder</a>	▶ <b>Variable</b>	3	\$45,000.00	
<input type="checkbox"/>	<a href="#">Copy</a>	1.1.2 <a href="#">reorder</a>	▶ <b>Variable</b>	6	\$45,000.00	
<input type="checkbox"/>	<a href="#">Copy</a>	1.1.3 <a href="#">reorder</a>	▶ <b>Variable</b>	9	\$45,000.00	

Your activity has been updated.

[Hide tasks](#) | [Hide activities](#)



Select 'See your compliance cost reports' and select report type as 'Business Cost Calculator report (variable ongoing cost)'. The final report would read:

Business Cost Calculator report (variable ongoing cost)		Export to Excel
Proposal name	A	
Reference number	to be completed	
<b>Problem and objective</b>		
Problem	to be completed	
Objective	to be completed	
<b>Explanatory information</b>		
Not applicable		
<b>Option 1</b>		
Option name	Option	
Option description	Option description	
Businesses affected	100	
Timeframe (years)	9	
	<b>Cost per business</b>	<b>Total cost for all businesses</b>
Start up cost	\$0.00	\$0.00
Average ongoing compliance cost per year	\$150.00	\$15,000.00

Therefore, the average ongoing compliance cost per year would be the average annual cost of complying with the regulation.

### How is the total labour cost, including on-costs and overheads, calculated in the BCC?

The total labour cost of an employee can be calculated using the wage calculator in the BCC. The wage calculator can be opened by selecting the 'Create/choose wage' button next to the Labour cost input box.

The screen which should appear is:

Show all help	
Choose a wage Existing wage	Choose existing wage <input type="button" value="Apply"/> <input type="button" value="View"/>
Wage name Position name	<input type="text"/>
Wage details Wage cost (\$/hr)	<input type="text"/>
Total non-wage labour cost rate (as a percentage of wage cost).	16 <input type="text"/> %
Total labour cost (\$/hr)	<input type="text"/> <input type="button" value="Calculate"/>
<input type="button" value="Apply this wage"/> <input type="button" value="Cancel"/>	

The total non-wage labour cost rate is automatically populated as 16% which is the on-cost multiplier. For proposals that involve on-costs and overheads the Total non-wage labour cost rate should be changed from 16 per cent to 75 per cent to calculate the total labour cost including on-costs and overheads. More information on wage rates is contained in Attachment D.

## Attachment D. Default Wage Rates

In most cases, it is appropriate to only consider wage and on-costs (such as payroll tax and superannuation). In some cases, certain overhead costs (such as rent, telephone, electricity, IT equipment expenses) may also be considered appropriate in the hourly wage rate.

Including overhead costs in the wage rate estimation depends on whether the regulatory requirement is such that these costs could have been avoided if there was no regulation. If these additional costs are unavoidable then it would be appropriate to include overhead costs, however if the additional wage costs did not lead to an overall increase in overhead costs then there would not be a necessity to include them.

This should be discussed with OBPR.

As a default, average earnings as reported by the ABS<sup>23</sup> are appropriate:

- i. Economy-wide default value for non-managerial employees: \$34.20
- ii. By Occupation:

Managers:	\$41.60
Professionals:	\$43.70
Technicians and Trades Workers:	\$33.20
Community and Personal Services Workers:	\$31.70
Clerical and Administrative Workers:	\$30.40
Sales Workers:	\$27.20
Machinery Operators and Drivers:	\$31.00
Labourers:	\$26.60

The hourly wage of staff should be scaled up by the on-cost multiplier of 1.16; this is the default on-cost multiplier built into the BCC. In cases where overheads also require quantification, the default on-cost multiplier must be changed from 1.16 (or 16 per cent as it appears in the BCC) to 1.75 (i.e. 75 per cent).

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<sup>23</sup> Based on ABS Cat. No. 6306.0 *Employee Earnings and Hours*, 2012. Average weekly total cash earnings and hours paid for: full-time, non-managerial adult employees, ordinary time, persons, all occupations:

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6306.0Main+Features1May%202012?OpenDocument>

Where proposals involve an impact on individuals not in the course of their employment, this leisure time or unemployment time is assumed to be the opportunity cost of the time spent filling in the forms. It is assumed that rational individuals trade off work versus leisure such that the marginal value of time spent working equals the marginal value of time spent at leisure. The marginal value of time spent working is approximated across the economy as the average hourly wage including overtime after tax. For simplicity unemployed individuals should also be valued at this time.

The default value of an individual's leisure or unemployment time has been estimated at \$27 per hour.

Where agencies believe an alternative rate may be more appropriate this should be discussed and agreed with the OBPR.