



Australian Government

Department of Infrastructure and Regional Development

Mr Jason McNamara
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Dear Mr McNamara

Regulation Impact Statement - Final Assessment Second Pass

Further to your letter to Ms Lyn O'Connell dated 26 May 2015, I am writing in relation to the attached final assessment second pass Regulation Impact Statement (RIS) prepared for coastal shipping reform.

I am satisfied that the RIS addresses the concerns raised in your letter of 26 May 2015, specifically, that the RIS be:

- more accessible;
- include the data and assumptions behind quantified estimates;
- recommend the option offering the greatest net benefit; and
- clearly identify any trade-offs from favouring sectional interests.

In relation to these issues:

- OBPR suggested the accessibility of the document could be improved by moving content included in response to RIS question one, into the introduction, and by adding an executive summary. These suggestions have been taken on board and in addition to adding an executive summary, we have also included information in the introduction to provide a greater level of background in the opening sections of the RIS;
- thank you for acknowledging the significant amount of work that has gone into the preparation of a robust cost benefit analysis. This report was prepared for the Department by independent consultants from Predictive Analytics Group (PAG). It explains the calculation of costs and benefits in the RIS and is based on a combination of assumptions made by PAG and provided by the Department. Based on your suggestion that the Final Stage RIS should outline the assumptions and figures behind the analysis, we have included the PAG cost benefit analysis as an appendix to the RIS.

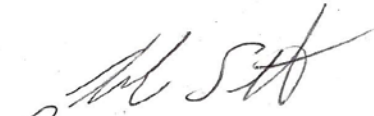
- The PAG report examined the recommended option with two variants: no minimum crewing requirements and; with a lower trigger point for the minimum crewing requirements (120 days). These analyses were conducted to provide points of comparison for the net economic effect of the preferred option.
- I am confident the RIS presents the option providing the greatest net benefit. On advice from OBPR we have included additional information under our response to RIS question six, explaining why the modest reduction in benefits flowing from the recommended option compared to the option with the highest quantified benefits is necessary in order to deliver a substantial reform package. As was the case with the earlier point, the Department has included material covering all of the specific points raised by OBPR in discussions following from your earlier letter.
 - The Department considers that while Option 2 may have been assessed in the PAG report as having the highest net economic benefits in purely financial terms, it is not feasible to introduce reforms to coastal shipping that do not involve measures to safeguard Australian maritime skills and measures to ensure minimum wages and conditions for seafarers on foreign ships engaged predominantly in activities on the Australian coast. These measures are critical foundation elements of the new policy framework. The net benefits need to be considered in this context.
- On your final point that the RIS should clearly identify any trade-offs from favouring sectional interests, the RIS has been clarified to explain more clearly that the proposed measures do not favour the interests of any particular industry sector. As indicated in the point above, the preservation of Australian skills on board ships operating predominantly in Australian waters is seen as a key underpinning parameter of the reforms. It is not a measure to favour the interests of any particular transport sector.

In addition, I note OBPR has agreed the regulatory costs for each option. Your reference for this advice is 17128. I acknowledge the OBPR requirement that an offset be identified for Option 1. A suitable offset has been identified and discussed with OBPR. The 'Combined Savings ' section of the discussion of Option 1 discusses the handling of this offset, noting that this option is not being pursued by the Government.

Accordingly, I am satisfied that the RIS now meets the requirements of the Australian Government Guide to Regulation and that all specific information requested has been included in the final document.

I am pleased to certify the RIS and to provide it to the Office of Best Practice Regulation for formal final assessment.

Yours sincerely



Judith Zielke
A/g Deputy Secretary

18 June 2015