



Australian Government

Department of Immigration and Border Protection

DEPUTY SECRETARY

19 February 2015

Mr Jason McNamara
Executive Director, Office of Best Practice Regulation
Department of Prime Minister and Cabinet
One National Circuit
BARTON ACT 2600

Dear Mr McNamara

**SIMPLIFIED TRADE PRACTICES FOR TRUSTED TRADE – REGULATION
IMPACT STATEMENT STANDARD FORM**

I am writing in relation to the attached Standard Form Regulation Impact Statement (RIS) prepared by the Immigration and Border Protection Portfolio (Portfolio) for the Trusted Trader Programme (the Programme). This RIS has been prepared in the context of a proposal to seek funding to implement the Programme.

This proposal will deliver a Programme that introduces differentiated trust-based regulatory treatment of goods at the border for those entities that meet or exceed international supply chain security and trade compliance standards. Entities meeting these high standards will be assessed as low-risk and subject to reduced regulatory burden and streamlined customs procedures. This Programme demonstrates the policy intentions of the Government's deregulation agenda by alleviating a significant trade burden and enhancing the competitiveness of Australian businesses involved in the international supply chain.

In line with advice from the Office of Best Practice Regulation, a detailed RIS has been prepared to assist the Portfolio in assessing the implications of the options under consideration and the likely impact of a decision to regulate. The RIS identifies the three options that have been considered:

- Option 1, maintaining the status quo;

- Option 2, would deliver a Programme with an attractive set of trade facilitation measures for industry participants. This option has been further designed into Option 2(A) and 2(B) with the main difference being the timeframe for implementation. Full implementation of the Programme under Option 2(A) occurs in four years compared to seven years under Option 2(B); and
- Option 3, the non-regulatory option.

Maintaining the status quo (Option 1) will increasingly put Australian industry at a competitive disadvantage, do nothing to address Portfolio capacity constraints in response to the increasing trade volumes and fail to meet international supply chain security standards.

As a result, the Portfolio's preferred option is to fully implement an expansive, robust Programme with an extensive range of trade facilitation measures for industry participants over four years. This option (Option 2(A)) imposes a regulatory cost of \$50.5m (NPV) on business participating in the Programme, but is offset by a \$213.6 (NPV) cost reduction. In addition, Option 2(A) has the greatest impact on Australia's international trade competitiveness, and contribution to international supply chain security, providing a boost to real GDP of \$278m over ten years.

While Option 2(B) also provides for the delivery of a fully mature Trusted Trader Programme, it does so over a longer seven year implementation timeframe. Therefore, while the regulatory cost is lower than in Option 2(A), so is the regulatory cost reduction. Further, the projected whole-of-economy impact of Option 2(B) is \$208m over ten years.

Option 3 – the non-regulatory model – aims to provide the same trade facilitation measures to industry participants, but only to those entities the Portfolio deems 'trusted' based on information garnered from existing information holdings. As a consequence, the number of industry participants would be dramatically less than in both regulatory options, and the subsequent impact on real GDP would be only \$60.3m – or 21 per cent of preferred Option 2(A)'s \$278m economic dividend.

In the attached second pass final assessment RIS, the Portfolio has reflected the feedback by the OBPR by making necessary amendments including the following:

- additional analysis on the impact of the Programme on competition;
- the consultation section has been further developed to include direct reference to the multiple views expressed on a range of Programme features that were then used to develop the preferred Programme option; and
- the presentation and readability of the RIS has been improved by moving much complex information to an appendix.

This RIS follows best practice consistent with the *Australian Government Guide to Regulation*, and addresses key issues around the policy problem the Portfolio is addressing, why action is needed, the regulatory cost implications of such action and how any action should be implemented and evaluated. This policy development process has been codesigned and developed in close partnership with industry stakeholders.

I submit the certified RIS to the Office of Best Practice Regulation for final assessment consistent with best practice.

Yours sincerely

Rachel Noble
Deputy Secretary
Policy Group