



**Australian Government**  
**Department of Foreign Affairs and Trade**

File Number: 21/7877#6

Mr Jason Lange  
Executive Director  
Office of Best Practice Regulation  
Department of the Prime Minister and Cabinet  
1 National Circuit  
BARTON ACT 2600

Dear Mr Lange

**Regulation Impact Statement – Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland – Second Pass Final Assessment**

I am writing in relation to the attached Second Pass Final Assessment for the Regulation Impact Statement (RIS) prepared for the Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland (AU-UK FTA).

I am satisfied that the RIS addresses the comments made in your letter of 6 October 2021. Specifically, including additional analysis on the impacts on Australian businesses where domestic tariffs are reduced or eliminated and the industry consultation process. It is important to note that due to Australia's already extensive network of Free Trade Agreements, the Australian market is already highly open and the key change is to allow UK producers to compete on an equal basis with our other FTA partners. This should benefit Australian consumers and companies by reducing distortions in the market.

We have not provided explicit trade forecasts or modelling in the RIS. DFAT commissions economic modelling of individual FTAs on a case-by-case basis due to limitations on what modelling can capture. Economic modelling can accurately quantify benefits and costs where there are clear and significant impacts on prices and quantities of trade, such as with tariff reductions or quota increases. However, an increasingly wide range of benefits are difficult to quantify. These include:

- increased regulatory certainty
- enhancing multilateral or plurilateral trade rules
- strengthening bilateral and multilateral relationships
- strengthening economic engagement
- contributing to expanding economic openness, inclusivity and resilience in our region and globally.

To ensure DFAT is well informed of the benefits and risks of an FTA, it sources information on opportunities and potential impacts on the macro and sectoral level through extensive consultations and stakeholder engagement. These processes commence before the development of a mandate and continue throughout the negotiations and after entry into force.

The regulatory burden estimate is A\$972,650 per annum. It is expected that the cost incurred by a business in preparing declarations of origin should reduce over time as traders become more experienced in creating the declarations of origin and start to provide the necessary details to support a claim by 'importer's knowledge' to UK importers as a matter of course. The Minister for Finance, Senator the Hon Simon Birmingham, has confirmed with the Trade, Tourism and Investment Minister, the Hon Dan Tehan MP, that the revenue implications of the AU-UK FTA are exempt from cost offsets.

Accordingly, I am satisfied that the RIS is now consistent with the six principles for Australian Government policy makers as specified in the *Australian Government Guide to Regulatory Impact Analysis*.

I submit the RIS to the Office of Best Practice Regulation for formal final assessment.

Yours sincerely



Elisabeth Bowes  
First Assistant Secretary  
25 November 2021