

14 May 2012

Mr Robert Fitzgerald AM  
Presiding Commissioner  
Productivity Commission  
PO Box 1428  
Canberra City ACT 2601

### **Regulatory Impact Analysis: Benchmarking**

Dear Mr Fitzgerald

The Australian Logistics Council (ALC) welcomes the opportunity to contribute to the Productivity Commission's Benchmarking on Regulatory Impact Analysis.

By way of background, ALC is the peak industry body for the major and national companies operating in Australia's freight transport and logistics supply chain. We advocate in favour of appropriate national regulation to ensure Australia enjoys the full benefits of freight transport and logistics policy development and reform.

ALC notes a Regulatory Impact Statement (RIS) is not needed (or is prepared in a modified manner) when either the Prime Minister has granted an exemption from the need to prepare a RIS, or when the subject matter is 'minor' or 'machinery' in nature.

However, what constitutes a 'minor' or 'machinery' amendment to regulation is a question of fact and degree. In many circumstances, what is regarded as a 'minor' change can have significant effect on business and flow-on effects on the supply chain.

Additionally, although there is generally a requirement to prepare Regulatory Impact Statements, including cost-benefit analyses, the application of the requirement has been at best variable and at worst inadequate. Two brief examples illustrate the point.

1. The Government has recently published a RIS for a suite of six Bills to implement its shipping policy reform agenda *Stronger Shipping for a Stronger Economy*.

In particular, the Coastal Trading (Revitalising Australian Shipping) Bill 2012 provides for a new licensing framework comprising a three tier licensing regime.

The RIS noted:

- shippers support an effective, efficient and internationally competitive domestic shipping industry, but are concerned that Government intervention could increase freight rates and make some currently marginal trades uneconomic;
- more specifically shippers fear that restricting the use of Continuing Voyage Permits and Single Voyage Permits could lead to different modal choices (from maritime to land-based transport) or in particular cases, to the relocation of production offshore depending on the increase in transport costs; and
- flexibility is also about having access to the ships which best suit shippers' needs; for example, being forced to use only Australian flagged vessels may mean entrenching ballast voyages with subsequent significant cost increases.

However, the RIS made no attempt to quantify the additional costs faced by shippers.

2. The second relates to the RIS prepared for the Clear Energy Package, introduced in 2011, which imposed on the transport sector a proxy carbon price through alterations to existing taxation laws made by the *Fuel Tax Legislation Amendment (Clean Energy) Bill 2011* and subsequent amendments to customs tariff and excise legislation.

The RIS contained no quantification of the cost that proxy carbon pricing would impose and the capacity such operators have to pass on additional costs to consumers in a highly competitive environment.

ALC notes Part 6.4.5 of the Best Practice Regulation Handbook requires the quantification of compliance costs for proposals imposing medium or significant compliance costs on business.

However, ALC believes better decision making would be achieved if in all circumstances a Regulatory Impact Statement was prepared with a Business Impact Statement that estimates the cost a proposed regulatory change would impose on industry.

Yours sincerely

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