

**Senate Standing Committee on Environment and Communications
Legislation Committee**

Answers to questions on notice
Environment and Energy portfolio

Question No: 42
Hearing: Budget Estimates
Outcome: Corporate
Program: Policy Analysis and Implementation (PAAI)
Topic: Cost Benefit Analyses – Major Policies
Hansard Page:
Question Date: 08 June 2017
Question Type: Written

Senator Roberts asked:

Does proof, for at least major policies, include rigorous & independent cost-benefit-analysis (CBA) which best captures the triple-bottom-line?

Answer:

Under the *Australian Government Guide to Regulation (2014)*¹, all new policy measures must be assessed by the Office of Best Practice Regulation (OBPR) prior to a final decision to determine whether a Regulation Impact Statement (RIS) is required and if so, the level of information that needs to be included in a RIS.

There are three main categories of RIS: short, standard and long form. Where OBPR assesses that a proposed policy is likely to have significant impact (e.g. because it has substantial or widespread impact on the economy), they will advise that a 'long form' RIS is required.

Every RIS must include the assessment of the likely net benefit of the policy. One of the key obligations for a 'long form' RIS is the completion of a formal cost-benefit analysis (CBA), which is used to quantify the net benefit of policy options.

A CBA involves a systematic evaluation of the impacts of a regulatory proposal, accounting for all the effects on the economy, community and the environment, not just the immediate or direct effects, financial effects or effects on one group².

The impacts should be quantified for each time period over the life of the proposed regulation. The total period needs to be long enough to capture all the potential costs and benefits, typically using a default of 20 years.

Standard and long form RISs are made public on OBPR's website³ following the public announcement of a decision. OBPR also publish their letter of assessment. It is not mandatory to publish a CBA that underpins a RIS.

¹ <https://www.pmc.gov.au/resource-centre/regulation/australian-government-guide-regulation>

² <https://www.pmc.gov.au/resource-centre/regulation/cost-benefit-analysis-guidance-note>

³ <http://ris.pmc.gov.au/>