



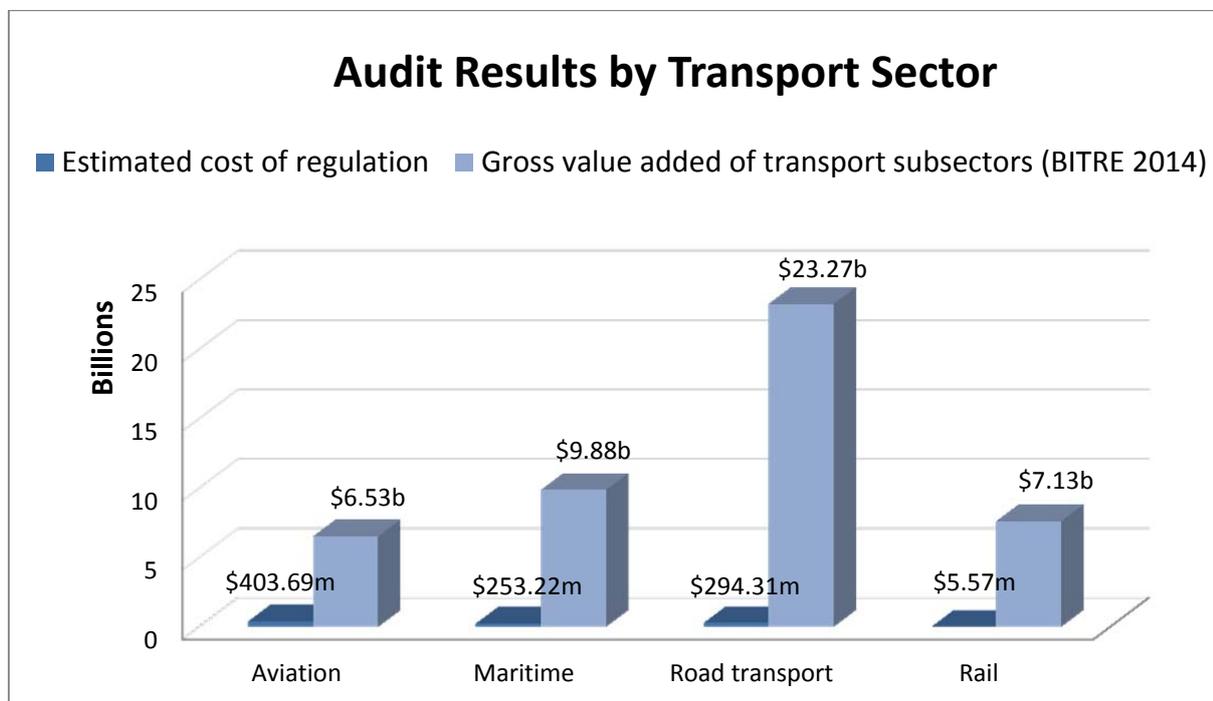
Regulatory Audit Results by Transport Sector

As part of the Government’s Red Tape Reduction Programme the Infrastructure and Regional Development portfolio (the portfolio) has undertaken an Audit of its regulations.

The first stage of the Audit catalogued regulations across the portfolio, including “*any rule endorsed by government where there is an expectation of compliance*”. The second stage of the Audit applied a sampling methodology to estimate the cost of regulatory burden, including costs to business and the broader community.

The costs of regulation were estimated using the Commonwealth’s Regulatory Burden Measurement Framework (RBM). The RBM includes direct costs of compliance, such as administration, reporting and training requirements but excludes some broader economic costs, such as opportunity costs and unavoidable costs such as those related to international requirements. The RBM methodology is determined by the Office of Best Practice Regulation. Further information can be found at: <http://www.dpmc.gov.au/office-best-practice-regulation/guidance>

This document provides a summary of the results of the Audit by transport sector in the context of the value of each sub-sector to the Australian economy.



¹ Gross Value Added (GVA) measures the value of industry production. It is used to measure the contribution of individual industries to Australia’s gross production.

The sampling strategy used by the Department of Infrastructure and Regional Development (the Department) costed a sample of regulations across each area of the portfolio to provide a breadth of information from which to estimate total regulatory costs for each sector. This method provided a practical basis to assess compliance burden across transport sectors, noting that state and local government regulations were not captured. Audit results did not question whether the scale of regulatory burden was appropriate given the risks involved. Audit results also did not capture the burden of Commonwealth regulation on these industry sectors by other portfolios (e.g. Treasury, Environment, Employment). The Audit provides a baseline for analysing areas of possible reform and progress in cutting red tape. Further information about the Audit process and methodology, coordinated across government by the Department of Prime Minister and Cabinet, can be found on page 5.

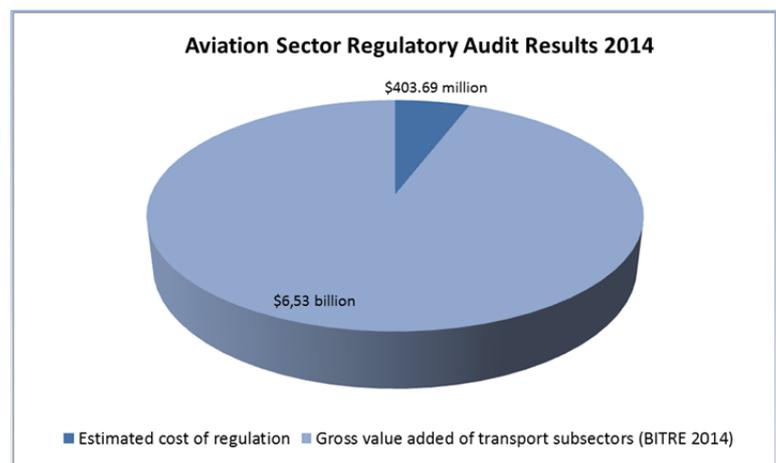
As a key Commonwealth safety regulator in the areas of aviation, maritime and road transport, continuous improvement is at the core of the portfolio's regulatory vision. In determining the appropriate regulatory frameworks for each sector the portfolio assesses risks and aims to maintain our high safety and security standards whilst removing compliance costs for which there is no commensurate safety or public interest benefit. Further information on the portfolio's efforts to reduce red tape can be found at: www.infrastructure.gov.au/departments/deregulation/index.aspx

Aviation

A strong, competitive and safe aviation sector is vital to Australia's continued prosperity. The aviation sector is regulated by the Civil Aviation Safety Authority (CASA) and the Department, including within it the Office of Transport Security, and the Aviation and Airports division. Airservices Australia also has an important role in the aviation sector, including managing air traffic operations and providing aeronautical data.

The 2014 Audit of regulations found that, of 335 regulatory frameworks across the portfolio, approximately 101 apply to the aviation sector and of these 71 are managed by CASA. The total cost of regulation across the aviation sector, including costs to business and individuals, is estimated to be approximately \$403.69 million. There are over 3,031,248 flights in Australia each year, bringing the average cost of regulatory requirements by aviation regulators to around \$132.62 per flight, including airport and airline safety and security requirements. Costs per flight would be lower for smaller aircraft with fewer passengers than for commercial airliners. The range of costs reflects the portfolio's approach of ensuring regulations are fit for purpose and regulatory burden is commensurate to safety and public interest.

The estimated gross value added (GVA) of the aviation transport sector is approximately \$6.53 billion, excluding broader productivity benefits. The cost of regulation as a proportion of GVA is estimated to be approximately 6.2 per cent. Given the excellent safety record of Australia's aviation sector and the high priority placed on safety and security, the cost of the regulatory frameworks is considered low in contrast to the economic value added by the industry.



Maritime

As an island nation with an export focused economy, Australia is, and always will be, a maritime mover. Currently 99.5% of Australia's international trade, by volume, is transported by ship. Over \$400 billion worth of international cargo moved across Australian ports in 2012–13, and some 4,900 cargo ships made almost 14,000 visits from overseas to Australian ports.

The 2014 Audit of regulations found that there are approximately 112 regulatory frameworks that apply to the maritime sector administered by maritime regulators in this portfolio, including 82 that are administered by the Australian Maritime Safety Authority (AMSA). The total cost of regulation across the maritime sector is estimated to be approximately \$253.22 million. The GVA of the maritime sector, including services to water transport (e.g. stevedoring, port operators and water transport terminals), was approximately \$9.88 billion in 2013-14, noting this does not capture the broader economic value of the goods transported *through* Australian ports.

Road Transport

The Australian Government contributes to developing and implementing national reforms in relation to road or motor vehicle transport and freight policy, road safety, vehicle standards and road infrastructure investment. The work across the portfolio aims to enhance the accessibility, productivity, safety and sustainability of Australia's surface transport services for the movement of people and freight in a globalised national economy.

The 2014 Audit of regulations found that there are approximately ten regulatory frameworks administered by the portfolio that relate to road transport. The total cost of the portfolio's road transport regulations is estimated to be approximately \$294.31 million, noting that state and territory government are responsible for the bulk of road transport regulations and these have not been calculated as part of the Audit. The value of the road transport industry to the Australian economy is estimated to be approximately \$23 billion, noting this excludes the value of road freight services operated by non-transport sector firms (such as Woolworths which is captured in the retail sector), and the broader supply chain benefits of light vehicles.

The Department's largest regulatory responsibility in relation to road transport is the *Motor Vehicle Standards Act 1989* (the Act). The Act delivers national vehicle standards for new motor vehicles to avoid inconsistency between jurisdictions to implement international frameworks and regulates the first supply of used imported vehicles to the Australian market. The 2014 Audit of regulation estimated that the regulatory costs associated with the Act were in the order of \$285 million. The regulatory costs comprise less than 1 per cent of the total value of vehicle imports, which was \$28.9 billion in 2012-13.

The Australian Design Rules (ADRs) are national standards for vehicle safety, anti-theft and emissions, administered under the Act. The ADRs are generally performance based and cover issues such as occupant protection, structures, lighting, noise, engine exhaust emissions, braking and a range of other items. The Australian Government is reducing unnecessary red tape by ensuring ADRs are harmonised with international vehicle standards, to reduce compliance costs for business, while maintaining high safety standards. The Audit of regulations found that, once harmonisation with international standards is taken into

account, the average cost of ADR regulations is \$229 per vehicle on average, and only \$143 for light vehicles – a relatively small proportion of the cost of a new car.

Rail

Rail moves approximately 50% of the total freight moved in Australia, dominated by export coal and iron ore movements, while also playing an important role in general freight movements. Rail is also critical to the functioning of our urban and regional passenger transport networks, with the Sydney rail network alone moving 300 million people in 2012-13².

The vast majority of regulation of the rail sector is state and territory based. The Department takes a role in facilitating regulatory reforms to resolve inconsistent practices between jurisdictions. For example, in 2009 the Department facilitated Council of Australian Governments (COAG) agreement to national transport regulation reforms including the establishment of a national rail safety law and national rail safety regulator. The practical benefits of national rail safety regulation include removing duplication of auditing, monitoring and inspection processes. The 2014 Audit of regulation includes relevant administrative and compliance costs associated with national rail safety regulations; however it should be noted that these are given effect through state and territory based regulation.

In total, the 2014 Audit of regulation found that the portfolio administers five regulatory frameworks in relation to rail with costs to businesses and the broader community estimated to be approximately \$5.57 million. The GVA of the rail sector is estimated to be at least \$7.13 billion, meaning the cost of the portfolio's regulatory frameworks for the rail sector is less than 0.1 per cent as a proportion of GVA for the sector.

Summary of Results by Sector

The table below provides a summary of the results of the Department's Audit of regulation by transport sector in the context of estimates of the gross value added of that sector.

Infrastructure and Regional Development Regulatory Audit Results by sector

Sector	Estimated cost of regulation \$ million	Gross value added of transport sectors ³ \$ billion	Australian Production ⁴ \$ billion	Estimated cost regulations as percentage of GVA for sector
Aviation	\$403.69 million	\$6.53 billion	\$19.05 billion	6.2%
Maritime ⁵	\$253.22 million	\$9.88 billion	\$13.30 billion	2.6%
Road Transport	\$294.31 million	\$23.27 billion	\$56.12 billion	1.3%
Rail	\$5.57 million	\$7.13 billion	\$13.67 billion	0.1%

The table excludes results for grants and local government service delivery.

² Both Figures from Trainline 2, Bureau of Infrastructure, Transport and Regional Economics (BITRE):

https://www.bitre.gov.au/publications/2014/train_002.aspx

³ Gross Value Added (GVA) measures the value of industry production. It is used to measure the contribution of individual industries to Australia's gross production. Figures are based on BITRE imputation of reported 2013-14 transport industry sector GVA using the 2009-10 transport sub-division GVA shares and 2005-06 industry division, sub-division and class income and expenditure estimates (ABS 2007).

⁴ Sector specific Australian production refers to the value at basic prices of goods and services produced in Australia.

⁵ The Maritime Gross Value Added estimate includes the value of international and domestic shipping services provided by the domestic shipping industry and the value of services to water transport, including stevedoring, port operators and water transport terminals. The value of services provided by foreign shipping services is not included. The Maritime GVA estimate has been derived by pro-rating the water transport service GVA share of the 2013-14 rail, pipeline and other transport GVA, using ABS (2007) and ABS (2013b), and the services to water transport share of the 2013-14 transport, postal and storage service GVA estimate, also using ABS (2007) and ABS (2013b).

Methodology

As part of the Government's commitment to reduce regulatory burden each portfolio conducted an audit of existing regulation in 2014, including estimates of the regulatory cost imposed on business, individuals and the community. The audits aim to establish a baseline against which the Government and stakeholders can measure reductions in red tape and to inform consideration of future areas of reform. The audit process was lead by the Department of Prime Minister and Cabinet (PM&C) including through the provision of guidance on the methodology to ensure a consistent approach across portfolios.

Stage One of the Audit, completed in mid-2014, catalogued all regulations to determine their number and type. It is important to note that, under the Government's *Guide to Regulation*⁶, regulation includes quasi-regulations, such as standards, advisory notices and administrative processes, reporting requirements and processes such as granting approvals, registration/licencing and accreditation, imposing or collecting fees, and complaints resolution. During Stage One of the Audit the portfolio catalogued existing regulations and developed a comprehensive list of around 335 regulatory frameworks⁷.

As part of Stage Two of the Audit portfolios quantified the cost of existing regulation on businesses, community organisations and individuals. The Government agreed that a sampling methodology could be used and an estimate of the overall cost of regulation within each portfolio could then be generalised from sample costings. Costs across each portfolio were estimated using the Regulatory Burden Measurement framework (RBM)⁸. The RBM aims to provide a quantitative measure for the regulatory burden that businesses, community organisations and individuals may be facing. The table below provides a summary of RBM cost inclusions and exclusions.

Included	Excluded
<ul style="list-style-type: none"> • Administrative costs • Substantive compliance costs • Operational purchases • Complying with financial costs • Delay costs • Compliance • Training • Qualifications 	<ul style="list-style-type: none"> • Indirect costs • Opportunity costs • Business-as-usual costs • Costs of non-compliance • Charges directly payable to government • Internal Commonwealth regulation • Costs of international obligations • Cost of certain regulatory impacts related to criminal laws

As part of Stage Two of the Audit the portfolio used a sampling strategy to cost regulatory frameworks. The final sample of 32 regulatory frameworks (approximately 10%) cut across key industry sectors, providing a breadth of information from which to estimate the final Audit results. This stratified sampling strategy was identified as the most reasonable option to achieve a whole-of-portfolio figure in the timeframe provided without unnecessarily diverting resources from core functions.

⁶ The Australian Government Guide to Regulation: <https://cuttingredtape.gov.au/handbook/australian-government-guide-regulation>

⁷ The portfolio's frameworks are based on the primary functions undertaken by departmental divisions and agencies within the portfolio..

⁸The RBM methodology is determined by the Office of Best Practice Regulation. Further information can be found at: <http://www.dpmc.gov.au/deregulation/obpr/reporting-publications/publications.cfm>



The results of Stage Two of the Audit estimate that the portfolio's total regulatory burden (under the RBM) is in the order of \$1 billion. This paper presents aggregated Audit results by transport subsector to assist in analysing estimates of regulatory burden in the context of the industries they regulate. The paper aims to provide a basis for consultation with industry stakeholders and the broader community about the impacts of regulatory burden, including discussion on future areas for reform.

References

ABS 2013a, *Australian System of National Accounts Concepts, Sources and Methods, Australia, 2013*, Catalogue no. 5216.0, ABS, Canberra.

ABS 2013b, *Australian National Accounts: Input-Output Tables - 2009-10*, Catalogue no. 5209.0.55.001, ABS, Canberra.

ABS 2007, *Australian Industry, 2005-06*, Catalogue no. 8155.0, ABS, Canberra.