Guidance Note 1: Economically Significant Impacts

This note provides guidance on determining whether a regulatory proposal has economically significant impacts, and therefore requires formal consultation and assessment.

What is meant by 'economically significant impacts'?

Economic significance is a broad measure of the impact of a regulatory proposal and includes the direct and indirect economic impacts on a wide range of stakeholders, including government, business, and consumers.

The significance of a regulatory proposal is determined by the impacts:

- breadth – affecting a wide range of activities in the economy; or
- depth – profoundly affecting only one industry (or even one part of an industry).

Who is responsible for determining economic significance?

Agencies determine whether their regulatory proposal has, or is likely to have, economically significant impacts.

The outcome of this self-assessment and the supporting rationale will need to be explained in the 'regulatory impact assessment' section of the Cabinet submission for all regulatory proposals that are intended to be considered by Cabinet.

How can economic significance be determined?

There is no simple formula for assessing economic significance. Ultimately, agency self-assessment of economic significance will involve a degree of judgement, especially if there is high uncertainty, limited data, or ambiguity.

Judgement is informed by considering whether a regulatory proposal could:

- affect a significant number of businesses;
- have a concentrated effect on a group, region or industry;
- have a large aggregate impact on the Western Australian economy;
- create a disincentive to private investment;
- add significantly to business costs;
- place Western Australian businesses at a competitive disadvantage with interstate and overseas competitors;
- disproportionately impact groups, such as small business or low-income households;
- impose restrictions on firms entering or exiting a market;
- introduce controls that reduce the number of participants in a market;

- affect the ability of businesses to innovate, adopt new technology, or respond to the changing demands of consumers;
- impose higher costs on a business activity or type of product or service;
- lock consumers into service providers, or make it more difficult for them to move between service providers; and/or
- impose restrictions that reduce the available range or price or service quality options.

Table 1: Economic impact examples

Low economic impact	High economic impact
Recent examples: ▪ Vaccination status reporting requirements for school enrolment ▪ Prohibiting importation of blank firing firearms	Recent examples: ▪ Introduction of a container deposit scheme in WA ▪ On-demand transport reforms and taxi compensation scheme

Quantitative evidence to support conclusions about these impacts, should be used if available.

What to do if impacts are economically significant

When regulatory proposals are found to have economically significant impacts, the analysis of the impacts should be formalised using a Regulatory Impact Statement.

A RIS can then assist government to consider a range of options in a transparent manner, assisting stakeholder input and confidence in government's regulatory decision making.

Help and support

The Better Regulation Unit can work with agencies to advise on the assessment of the impacts of their regulatory proposals and whether these are likely to be of economic significance. For further information or general enquiries please contact us on (08) 6551 4777 or email: betterregulation@treasury.wa.gov.au.