



**Government of South Australia**  
Department of Trade and Economic  
Development

# **BUSINESS IMPACT STATEMENT**

*Guidelines for Departments*

July 2009

# Business Impact Statement

## *Guidelines for Departments*

---

### **Contents**

1. Introduction.....	3
2. Guiding Principles .....	4
3. Format of Business Impact Statements.....	5
4. BIS Process.....	6
5. Content of Business Impact Statement .....	7
a. The businesses likely to be affected .....	8
b. Benefits to business affected.....	8
c. The source of any compliance costs .....	8
d. Quantitative or qualitative estimates of compliance costs.....	9
e. Overlapping compliance requirements with other agencies.....	10
f. Assess alternative options .....	10
g. Mitigation .....	10
h. Consultation.....	10
6. Adequacy Assessment by DTED.....	11
7. Further Information .....	13
APPENDIX A: Cabinet Submission Impact Assessment Flowchart .....	14
APPENDIX B: Business Impact Statement.....	15
APPENDIX C: BIS Flowchart .....	17
APPENDIX D: Compliance Cost Category Activity.....	18
APPENDIX E: Regulatory Options and Instruments .....	21
APPENDIX F: Hourly Rate by Occupation & Industry .....	23

# Business Impact Statement

## *Guidelines for Departments*

---

### **1. Introduction**

The South Australian Government is committed to taking action on the compliance costs imposed on business. Cabinet mandated from 1 July 2006, all regulatory and any other proposals with an impact on business submitted to Cabinet are required to:

- include a “Business Impact Statement” (BIS) to replace the existing requirement for a “Small Business Impact Statement” (SBIS);
- use the Commonwealth Office of Best Practice Regulation “Business Cost Calculator” (BCC) to assess the cost of compliance imposed on business; and
- include in the Cabinet Cover Sheet a statement that the Department of Trade and Economic Development (DTED) agrees with the assessment of the business compliance costs associated with the proposal.

Preparation of a BIS involves a formal assessment of the impacts of regulatory and other policy proposals on the business community. The aim of the BIS is to help ensure that the compliance costs of future regulatory and other policy measures are fully considered in the policy-making process prior to Cabinet consideration, and costs to business are kept as low as possible.

The BCC provides a standardised methodology for policy makers to measure and analyse the compliance costs of policy options in an objective and consistent manner.

*Department of Premier and Cabinet (DPC) Circular No. 19*, as revised in February 2009, sets out the obligations on public sector agencies with regard to the BIS requirements, including the mandating of the use of the BCC in preparation of a BIS.

It is also important to note, at the outset, that;

- business impact assessment only forms part of an overall cost-benefit analysis of a submission to Cabinet (see Appendix A); and

It should be noted that while the emphasis in these guidelines is on regulatory proposals, they apply equally to any other proposals submitted to Cabinet that have an impact on business, as agreed by Cabinet.

# Business Impact Statement

## *Guidelines for Departments*

---

### 2. Guiding Principles

The following principles underpin the requirement for a BIS:

- informed and transparent decision-making;
- assessment of compliance cost, with a view to minimising the regulatory burden on business, is an integral part of the policy development process;
- assessment of compliance requirements ensuring that are only those that are necessary to achieve the objectives of the policy are imposed on business; and
- acknowledgement by government agencies of the cumulative effect of compliance burden imposed on business.

### When is a BIS Required?

A BIS is required for:

- any Cabinet Submissions seeking Cabinet approval to introduce regulatory proposals (including new Acts, regulations, mandatory standards and codes and non trivial amendments to any of these) and;
- any other proposals with an impact on business.

Agencies are encouraged to consult DTED at an early stage in the development of any proposal which is likely to have business or industry sector impacts.

**Use of the BCC has been mandated by Cabinet** to apply to all regulatory proposals or proposals with a significant impact upon business. For example; the BCC should be considered where:

- A new or altered regulation is being introduced;
- Fees/levies or industry contributions are being increased above CPI;
- Rebate schemes are introduced or altered;
- Any other proposals which place requirements upon or alter the way business is conducted or change the level of industry participation

Where there is unlikely to be a significant impact the BCC can also be used to help quantify smaller impacts. It is important to recognise that although an individual proposal may have limited or marginal impacts it may contribute to the overall or cumulative impacts to business.

## Business Impact Statement

### *Guidelines for Departments*

---

### 3. Format of Business Impact Statements

The length of the statement will depend on the content of a particular proposal and extent to which it is expected to impact on businesses.

If the impact is assessed to be **minor**, describe this under the sub-heading *Business Impact Statement* in the submission.

If the impact is assessed to be **significant**, a separate report should be prepared and attached as an appendix to the submission, and summarised under the sub-heading. DTED has prepared a template that can be used as the basis for the report (see Appendix B).

In all cases, the level of analysis and detail should be commensurate with likely impacts of the proposal over its expected life and sufficient to inform Cabinet of the extent of the impacts.

Where it is assessed that **no impacts** on business are anticipated, a statement to this effect should appear in the “Discussion” section of the submission to indicate that business implications have been considered.

#### ***What constitutes “significant” impact on business?***

Agencies are responsible for determining whether a policy proposal has significant impact on business. This is best determined by consultation with key stakeholders.

*The significance of impact is determined in relation to those whom the decision will affect, not in relation to the agency concerned. What is perceived as a minor decision by the agency could have a significant impact on the business(es) affected.*

A “significant” impact on business includes situations where the proposal will, or is likely to produce the following effects:

- add significantly to business costs, directly and indirectly;
- place South Australian businesses at a competitive disadvantage with interstate and overseas competitors;
- alter the way the activities of a business, or group of businesses are undertaken;
- affect a significant number of businesses;

## **Business Impact Statement**

### *Guidelines for Departments*

---

- target a proportionately large number of businesses within a particular industry;
- have immediate and longer term implications for the capacity and willingness of business to establish new activities or expand existing activities, including investment, production, employment and export from South Australia;
- affect the efficiency of resource use and productivity levels;
- affect the ability of business to access local, interstate and overseas markets;
- affect the ability of business to access debt or equity finance;
- affect the ability of business to tender for or make Government contracts;
- have a concentrated effect on a particular group, region or industry;
- have a large aggregated impact on the South Australian economy;
- impact disproportionately on the prospects for small businesses;
- impose higher costs on a particular class of business or type of products or services;
- create a disincentive to private investment; and
- affect the ability of businesses to innovate, adopt new technology, or respond to the changing demands of consumers,

The above checklist is not provided as an exhaustive list. Rather, it is provided as a guide to potential scenarios that may trigger further in-depth consideration for the preparation of a BIS.

#### **4. BIS Process**

The Business Impact Statement Process is summarised as follows:

- (1) Agency seeks DTED confirmation of level of impact assessment and use of the BCC;
- (2) Agency prepares a BIS, using the BCC (if step 1 determines there is an impact on business);
- (3) Agency submits a copy of the draft cabinet submission including the BIS to DTED for assessment;

## **Business Impact Statement**

### *Guidelines for Departments*

---

- (4) DTED provides its assessment to the agency; and
- (5) Agency attaches DTED's assessment to the submission for consideration by Cabinet.

Appendix C provides a flow chart of the BIS process.

#### ***Mandatory use of the Business Cost Calculator***

The BCC is a costing model developed by the Commonwealth Office of Best Practice Regulation (OBPR) to assist policy makers measure and analyse the compliance costs of policy options in an objective and standardised manner. The model can also be used to assess the cost impacts of non-regulatory proposals (see below).

The BCC is available at <http://www.finance.gov.au/obpr/bcc/index.html>. Technical assistance is available from OBPR on telephone: (02) 6215 1955.

Agencies may need to consult with businesses affected and other stakeholders to obtain information and data required to input into the BCC. This information can be collected through targeted consultation with key stakeholders, which will help in also identifying and formulating the least cost compliance options and processes.

### **5. Content of Business Impact Statement**

Where possible, the Business Impact Statement should:

- (1) identify the businesses likely to be affected, by type, size and number;
- (2) provide quantitative and qualitative estimates of positive impacts or benefits to business;
- (3) identify the source of any compliance costs or other impacts;
- (4) provide quantitative and qualitative estimates of compliance costs of the proposal (through the use of the BCC where appropriate);
- (5) identify overlapping compliance requirements with other agencies;
- (6) provide assessment of alternative options (and why they were not chosen);
- (7) provide any mitigating strategies for the identified impacts and how these strategies will be implemented; and

## **Business Impact Statement**

### *Guidelines for Departments*

---

(8) report on consultations undertaken with the businesses affected, including an indication of their level of support for the proposal.

#### **a. The businesses likely to be affected**

Identify the businesses likely to be affected and classify by:

- Industry/business type;
- Size; and
- Number.

Identifying the size of affected businesses is important as impacts can be very different between a small business that has a small number of employees (0-19 employees) and larger businesses.

In certain cases, it may be meaningful to divide up the affected businesses according to their legal form (company, partnership, trust, sole trader, etc), or by region or business specialization.

#### **b. Benefits to business affected**

This involves quantitative (where possible) and qualitative estimates of the benefits to businesses affected that could potentially arise from the proposal. For example, the decision to amalgamate a set of forms into a single document or the abolition of a fee or charge will save time and compliance costs for businesses.

#### **c. The source of any compliance costs**

This involves a description of the nature of the compliance process and activities that are required or need to be undertaken for compliance.

Costs can be divided into two broad categories: start-up costs (one-off costs) and ongoing costs (recurring costs).

Compliance activities can be divided into nine different categories under the BCC Cost Categories:

- Notification;
- Education;
- Permission;

## Business Impact Statement

### *Guidelines for Departments*

---

- Purchase Cost;
- Record Keeping;
- Enforcement;
- Publication and Documentation;
- Procedural; and
- Other (this can include any 'other' costs associated with both regulatory and non-regulatory proposals).

Appendix E provides some examples for each of the cost categories.

#### **d. Quantitative or qualitative estimates of compliance costs**

It is important to provide both quantitative and qualitative estimates of compliance costs of the proposal.

The BCC is required to be used to quantify the compliance cost impacts of the proposal (both in aggregate and upon individual businesses). If this is not feasible, the agency should clearly state why and provide analysis and estimates of compliance impacts in qualitative terms.

It is important to set out any underlying assumptions underpinning estimates and the source of information and data used in identifying and valuing potential compliance costs. The best way of determining the underlying assumptions is to consult broadly with identified stakeholders. By consulting any uncertainties can be tested as to their veracity.

Compliance burdens typically fall disproportionately on small businesses, which lack the resources to deal with them. Where possible, estimates should be provided of typical compliance costs for small, medium and large entities. It is also important to consider compliance flexibility options that will assist small businesses to meet the requirements of the proposed measure for example, the phasing in of compliance costs over a number of years.

A major source of regulatory compliance burden on business is the continuing need to adapt to changing regulatory requirements, and the cumulative impact of regulation. Thus, it is important to highlight whether costs are likely to increase or decrease over time, and the cumulative impact of a number of different and possibly small cost increases (not only those imposed by Government) over a period of time (e.g. the past two years).

## **Business Impact Statement**

### *Guidelines for Departments*

---

#### **e. Overlapping compliance requirements with other agencies**

By identifying overlapping compliance requirements with other agencies, it may be possible to design compliance processes so that information is shared between two related compliance processes.

#### **f. Assess alternative options**

This requires an identification of alternative options that could be used to wholly or partly achieve the specified objectives and an assessment of their associated costs and benefits against those proposed measures.

For example, regulatory alternatives may include:

- self-regulation;
- quasi-regulation or co-regulation;
- increased enforcement of existing provisions;
- extending the coverage of existing legislation;
- rewarding good behaviour;
- negative licensing;
- public information and education campaigns;
- information disclosure; and
- market-based instruments, etc.

Appendix E provides more detailed information on these options.

It is also appropriate to discuss and compare the approaches adopted in other states and territories to deal with the same/similar problem.

#### **g. Mitigation**

Just as the proposal identifies impacts it should also identify how those impacts can be mitigated or managed.

#### **h. Consultation**

This requires a statement on consultations undertaken with affected businesses, including an indication of their level of support for the proposal.

## Business Impact Statement

### *Guidelines for Departments*

---

This also provides a check to ensure compliance cost issues raised in consultation are addressed.

#### **6. Adequacy Assessment by DTED**

The Department of Trade and Economic Development (DTED) has a mandate to review and assess the adequacy of business impact assessments and to provide comments and advice to agencies on preparation of BIS and the use of the BCC. As a general rule, however, DTED will not undertake BIS analysis on behalf of agencies.

DTED is responsible for providing a statement of adequacy, which is to be included in the Cabinet Cover Sheet certifying that the Department agrees with the assessment of the business compliance costs associated with a particular proposal and contained within the BIS.

The evaluation of the BIS will deal only with the adequacy of the disclosure and analysis within the BIS, particularly the estimates of business compliance costs associated with the proposal. It will not include comment on the policy objectives of the proposal.

Unless prior arrangements have been made, the following documents should be made available to DTED at least ten working days before Cabinet submissions are due to be lodged:

- a copy of draft Cabinet submission;
- a copy of completed BIS report (based on the BIS template), where one is required, as an attachment to the submission;
- a copy of BCC summary report, task report and supporting evidence report for each option (if the BCC is used); and
- an electronic copy of compliance cost assessment (i.e. a full version of the application of the BCC) (if the BCC is used).

DTED will provide an *initial* comment to the agency as to the adequacy of the BIS made in the submission, within three working days upon receipt of all the required documents. This becomes the final DTED comment if the BIS is found to be adequate.

If upon initial assessment, the BIS is found to be inadequate, the relevant agency should undertake more work to revise the BIS and resubmit it to DTED for further assessment.

A copy of a *final* DTED comment must be attached to the Cabinet submission when it is lodged. A statement regarding the adequacy of the BIS must be

## **Business Impact Statement**

### *Guidelines for Departments*

---

included under the “Community and Environmental Impact” section of the Cabinet Cover Sheet.

This statement will focus on:

- an assessment as to whether the level of BIS analysis is commensurate with the magnitude of the likely impact of the proposal over its expected life; and
- an assessment of the adequacy of business compliance costs analysis provided in the submission.

The statement will also note the adequacy of the time allowed by agencies for DTED to assess each BIS.

### **Exemptions**

Cabinet Sub Committee items as outlined in *Circular 19* are exempted from the requirement of preparing a BIS.

The BIS policy also recognises there may be exceptional circumstances that require an exemption from DTED’s assessment (e.g. due to the urgency of the proposal). In such cases, the Chief Executive of the responsible agency can write to the Chief Executive of DTED, seeking an exemption. The request must include full details of why an exemption is being sought.

To assist in the timely granting of exemptions, agencies should notify the Economic Analysis and Policy Division in DTED as soon as the decision to seek an exemption is made.

Exemptions will be granted on a case by case basis. Where granted, the exemption should be attached to the Cabinet submission.

## **Business Impact Statement**

### *Guidelines for Departments*

---

#### **7. Further Information**

Further information to assist the preparation of a BIS and the application of the BCC can be obtained from the Department of Trade and Economic Development.

All enquiries in the first instance should be directed to:

[DTED:Impact@state.sa.gov.au](mailto:DTED:Impact@state.sa.gov.au)

or by telephone to

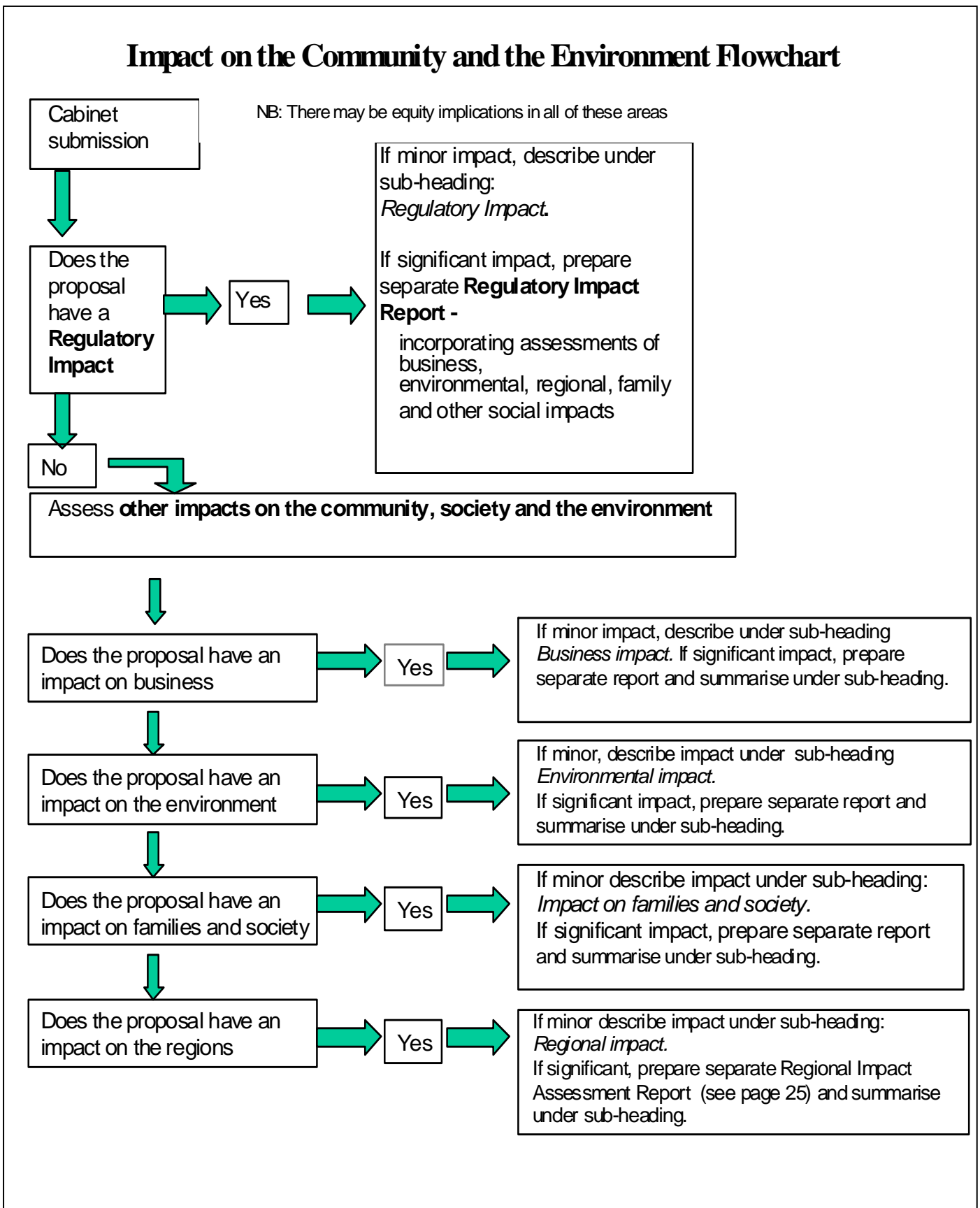
Evan Hill  
Senior Policy Officer  
Economic Analysis and Policy  
Department of Trade and Economic Development  
GPO Box 1264  
ADELAIDE SA 5001  
Tel: 8303 2560

# Business Impact Statement

## Guidelines for Departments

### APPENDIX A: Cabinet Submission Impact Assessment Flowchart

#### Impact on the Community and the Environment Flowchart



# Business Impact Statement

## *Guidelines for Departments*

---

### APPENDIX B: Business Impact Statement Template

**Title:**

- 1. Brief description of the proposal** (including issues and objectives)  
Provide a brief summary of the proposal, key issues, objectives and major stakeholders.
- 2. Business likely to be affected** (by type, size and number)  
Have the businesses likely to be affected been identified by size?  
Have the businesses likely to be affected been identified by industry/business type?  
Has the number of businesses affected in each category been stated?
- 3. Potential benefits to business**  
Has information been provided on quantitative and qualitative estimates of likely benefits to business?
- 4. Source of compliance or any other costs**  
Have the sources of compliance costs on business been identified?  
Is there a clear statement as to which of those costs are one-off and which are on-going?  
Have compliance activities been identified and classified properly into cost categories?
- 5. Estimated compliance costs of the proposal** (in aggregate and upon individual businesses)  
Has the Business Cost Calculator been used in measuring compliance costs? If not, have reasons been provided?
  - 5.1 Quantitative assessment** (state whether BCC has been used. If not, please provide reasons)  
Has information been provided on quantitative and qualitative estimates of compliance costs on business?
  - 5.2 Qualitative assessment**
  - 5.3 Assumptions made and source of information/data used**  
Has information about underlying assumptions and the sources of information and data been provided?

## **Business Impact Statement**

### *Guidelines for Departments*

---

#### **5.4 Level of certainty regarding assumptions and the estimates**

(high, medium, low)

Has the level of certainty with regard to the estimates used been stated?

#### **5.5 Estimated compliance costs for small business**

Has the impact on small business been discussed?

#### **5.6 Cumulative effects**

Has the cumulative effect of recent regulatory and other changes been discussed (e.g. over the past 2 years)?

#### **6. Overlapping compliance requirements with other agencies**

Has information about overlapping compliance requirements with other agencies been provided?

#### **7. Assessment of alternative options**

Have all practicable alternatives been identified?

Has information about assessment of alternative options against the proposed measures been provided?

Have approaches adopted in other jurisdictions been discussed?

#### **8. Mitigating strategies**

Is there a clear statement as to actions taken to mitigate negative impacts of the proposal on business?

#### **9. Consultation undertaken with business affected**

Have the businesses affected been consulted?

Has the level of support for the proposal by the businesses affected been indicated?

Have the compliance costs issues raised in consultation been addressed?

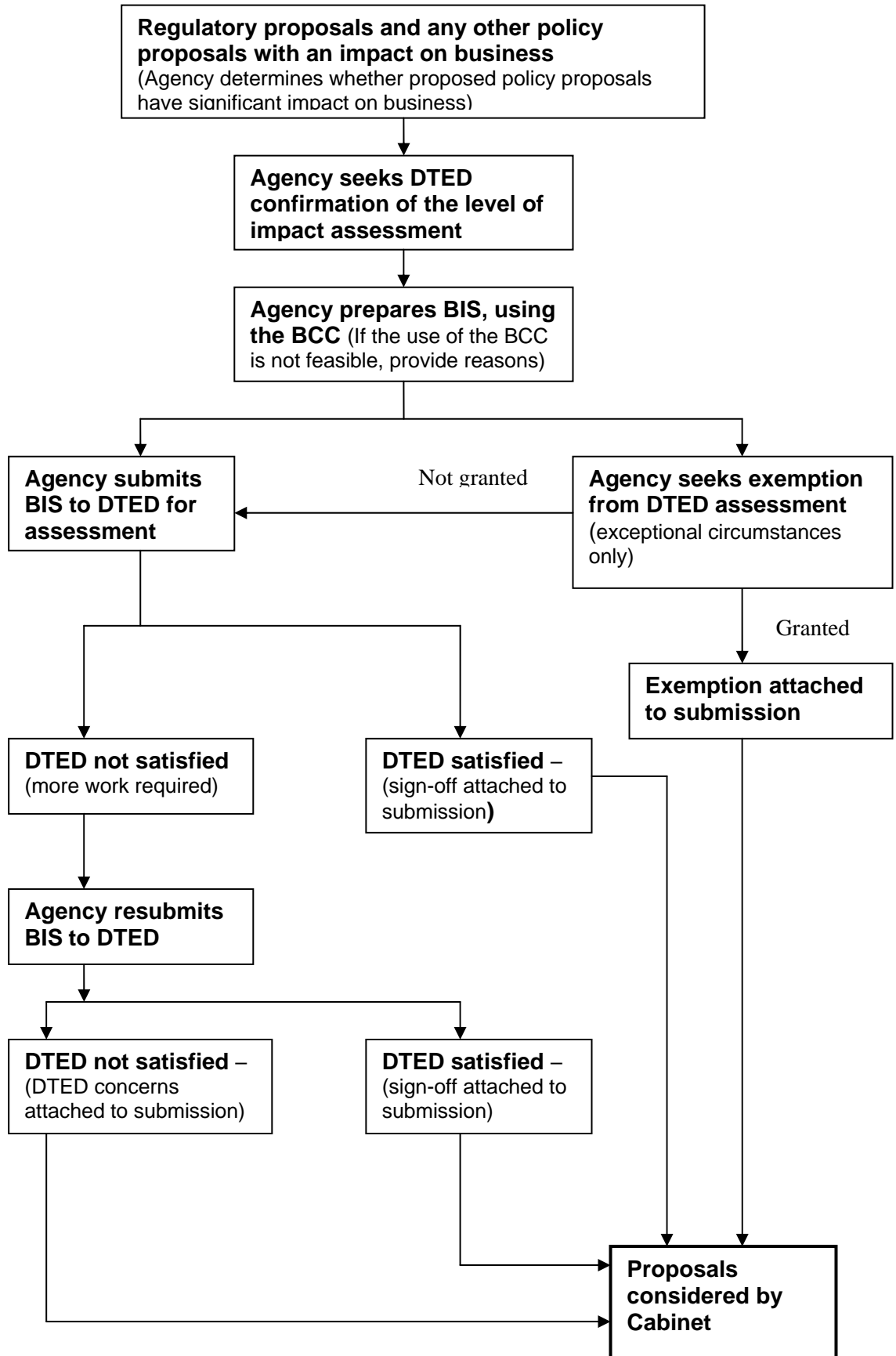
#### **10. Preferred option**

State the preferred option and why on balance it is the superior alternative

# Business Impact Statement

## Guidelines for Departments

### APPENDIX C: BIS Flowchart



# Business Impact Statement

## *Guidelines for Departments*

---

### **APPENDIX D: Compliance Cost Category Activity**

When using the costing model, the Business Cost Calculator, you will need to identify various specific compliance activities/tasks that businesses need to perform.

These activities/tasks can be divided into 9 different Cost categories:

- Notification;
- Education;
- Permission;
- Purchase Cost;
- Record Keeping;
- Enforcement;
- Publication and Documentation;
- Procedural; and
- Other.

There is no right or wrong method to select a Cost category. Choose the Cost category which you believe is most appropriate. It is important, however, to use Cost categories in a consistent manner, making it possible to compare the different types of compliance burden.

This guide helps you select the most appropriate Cost category.

#### **Notification**

This relates to reporting or giving notice of particular activities and usually involves reporting transactions either before or after the event. For example, reporting and notifying with annual or quarterly business reports.

Some examples of the activities associated with this Cost category are:

- gathering information;
- processing the information;
- compiling the report;
- submitting the report to the relevant authority; and
- filing the report.

#### **Education**

This involves maintaining awareness of legislation and regulations, and the costs of keeping abreast of changes to regulatory details.

Some examples of the activities associated with this Cost category are:

- educating changes of regulation to staff, including time spent to obtain new regulation, to examine regulation and to communicate the effects;
- educating and training staff before they can use new equipment; and

## **Business Impact Statement**

### *Guidelines for Departments*

---

- providing self-education to maintain the mandated minimum certified standards.

#### **Permission**

This involves applying for and maintaining permission or registration to conduct an activity, usually prior to commencing that activity.

Any (extra) training required to obtain permission to commence a particular activity counts as a substantive compliance costs.

Some examples of the activities associated with this Cost category are:

- announcing the intention to apply;
- gathering information including certified documentation;
- compiling the permit application;
- submitting the permit application for registration;
- obtaining and filing the permit; and
- maintaining the minimum standards to conduct the activity.

#### **Purchase Cost**

This involves the costs of all materials, equipment, etc, purchased in order to comply with the regulation. This can include the costs of premises, materials needed for a registration system, computer equipment and administrative charges and levies (e.g. the cost of applying for a building permit or licence)

However, the cost of paying general taxes or levies is not included as a compliance cost.

#### **Record Keeping**

This involves keeping statutory documents up-to-date, such as maintaining and updating documentation of legally required activities including emergency plans, logbooks, copies of permits, livestock tags, taxation and business statements, drawing up business plans and programs.

Some examples of the activities associated with this Cost category are:

- evaluating existing documents;
- consulting with the staff concerned and any other stakeholders; and
- filing new documents and drawing attention to them internally.

#### **Enforcement**

This involves cooperating with audits, inspections and enforcement activities. It may involve providing information and conducting activities when government organisations are carrying-out inspections and audits at a business.

## **Business Impact Statement**

### *Guidelines for Departments*

---

Some examples of the activities associated with this Cost category are:

- conducting activities to prepare for the audit/inspection/visit; and
- supervising external personnel on site.

#### **Publication and Documentation**

This involves producing documents with regard to particular activities or things for third parties, such as issuing information including publishing, labelling and signage; being able to produce or show the necessary documents including for the identification of people and goods.

Some examples of the activities associated with this Cost category are:

- gathering information;
- drawing-up or designing documents;
- requesting and producing the documents;
- fixing or applying the documents; and
- supplying the requested information to third parties.

#### **Procedural**

This Cost category involves the costs of doing non- paperwork tasks. For example, establishing, organising, doing and reviewing mandated equipments, systems, procedures.

#### **Other**

If the activity/task can not be categorised as any other Cost category then you should select Other.

## **Business Impact Statement**

### *Guidelines for Departments*

---

#### **APPENDIX E: Regulatory Options and Instruments**

This appendix provides a non-exhaustive list of different forms of regulation and a range of alternative instruments that might be considered to solve an identified problem and/or achieve a specified policy objective.

##### **Self-regulation**

Self-regulation is generally characterised by the development of voluntary codes of practice by an industry, with the industry solely responsible for enforcement. The government's involvement is very limited, may be through the provision of advisory information.

##### **Quasi-regulation and co-regulation**

Quasi-regulation and co-regulation refer to situations where the regulatory role is shared between the government and industry.

In the case of quasi-regulation, there is no formal enforcement role for the government, but the government does influence businesses to comply by assisting in the development and/or endorsing industry codes of conduct.

Co-regulation typically refers to a situation where an industry or professional body develops a code of practice (or accreditation or rating schemes) in consultation with the government. While the industry administers its own arrangements, the government provides legislative backing to the code/schemes (and consequently plays an enforcement role).

##### **Increased enforcement of existing provisions**

This option should be considered when there is awareness of relatively low levels of compliance with existing provisions. It may simply require an upgrade of existing enforcement mechanisms.

##### **Extending the coverage of existing legislation**

If essential facilities or procedures are already provided by an existing legislative regime, it may be more efficient to extend the application of that particular legislation to related concerns, rather than have them duplicated. This approach is also likely to assist in ensuring the consistency of government action in the treatment of issues with similar concerns.

For example, if enforcement mechanisms (e.g. inspections, reporting requirements) already exist for manufacturers or suppliers of certain types of drugs or poisons, these might be efficiently and effectively applied to manufactures or suppliers of alternative medicines.

##### **Rewarding good behaviour**

Traditional command-and-control approaches to regulation do not acknowledge or reward compliance with regulations. Accordingly, industries with good track records are penalised for non-compliance on the same basis as firms that frequently breach the law. Hence, in order to capture those

## **Business Impact Statement**

### *Guidelines for Departments*

---

offenders, regulations sometimes place monitoring and reporting requirements on complying industry participants that are too onerous.

To address this problem, regulatory regimes could reward good behaviour, while continuing to penalise bad behaviour. Organisations demonstrating a consistent record of compliance could be rewarded with a reduction in the number of licences required, fewer random audits, the allowance of self-regulation, or the reduction of other regulatory burdens.

#### **Negative licensing**

Negative licensing is designed to ensure that participants that have demonstrated, by their prior action, that they are incompetent or irresponsible are precluded from operating in a particular industry. This ensures that the most serious offenders against the set standards are removed from the industry/profession without, at the same time, placing an undue burden of registration on the entire industry/profession.

#### **Public information and education campaigns**

Where the problem to be addressed results from a lack of knowledge amongst consumers or participants in an industry, an education program should be considered to alleviate the problem by changing the quality of the information available, or be better targeting its distribution.

#### **Information disclosure**

While closely related to public education campaigns, this option requires information about the attributes of products or processes to be disclosed (e.g. hazardous substance in use and food labelling). Information disclosure does not directly seek to prohibit or regulate the consumption of a good or service, but is designed to ensure that the public is aware of all the advantages and disadvantages of using the products.

#### **Market based instruments**

Market based instruments, such as taxes, subsidies, user charges and tradeable permits, can be used as an alternative to issuing licences and permits to limit production or consumption activities, and encourage an efficient allocation of resources in relation to environmental and distribution problems.

Market-based instruments are particularly useful in addressing externalities from private activities when free markets lead to too little or too much production of a particular good or service.

## Business Impact Statement

### Guidelines for Departments

---

#### APPENDIX F: Hourly Rate by Occupation & Industry

The suggested methodology for calculating the hourly labour rate is to divide the estimated annual cost of employing labour (including wages and on costs) by the estimated hours worked per year. Each element of the methodology, suggested default values and other alternative values are discussed below.

#### Formula

$$HR = AE / (AW * AH) * ON$$

HR = hourly rate

AE = average annual earnings

AW = number of weeks worked per annum

AH = average weekly working hours for full-time adult workers

ON = on-cost multiplier

If using the November 2007 ABS data from *Average Weekly Earnings*, the hourly labour rate for a given job is therefore:

$$\begin{aligned} HR &= AE / (AW * AH) * ON \\ &= \$54,412.4^1 / (45 * 41) * 1.169 \\ &= \$28.11 * 1.169 * 1.25 \\ &= \$43 \text{ (November 2007)} \end{aligned}$$

Where:

AE = average annual earnings (persons, FT, adult, ordinary time earnings)  
= \$1046.4 \* 52 weeks  
= \$54,412.4

AW = number of weeks worked per annum = 45 (subtract annual leave, etc)

AH = average weekly hours for full-time workers = 41

ON = on-cost multiplier = 1.169

OH = overhead multiplier = 1.25

The following table provides alternative hourly rates by occupation and industry in the State by adjusting the above default hourly rate based on national occupational and industrial relativities.<sup>2</sup>

Source: ABS Cat No. 4102.0 Australian Social Trends "Trends in Hours Worked"  
ABS Cat No. 6348.0 "Labour Cost"  
ABS Cat No. 6302 "Average Weekly Earnings"

---

<sup>1</sup> Or use of "detailed earnings" if available.

## Business Impact Statement

### *Guidelines for Departments*

---

### Hourly Rate by Occupation and Industry

		<b>Default Hourly Rate</b>
<b>Default Economy-Wide</b>		\$45
<b>By Occupation</b>	<b>National Relativity</b>	<b>Alternative Hourly Rate</b>
Managers	141%	63
Professionals	119%	53
Technicians and trade workers	96%	43
Community and personal service workers	85%	38
Clerical and administrative workers	82%	37
Sales Workers	74%	33
Machinery operators and drivers	94%	42
Labourers	79%	35
<b>By Industry</b>	<b>National Relativity</b>	
Mining	162%	73
Manufacturing	97%	44
Electricity, gas and water supply	128%	57
Construction	102%	46
Wholesale trade	94%	42
Retail trade	73%	33
Accommodation, cafes and restaurants	73%	33
Transport and storage	103%	46
Communication services	110%	49
Finance and insurance	124%	56
Property and business services	105%	47
Government administration and defence	103%	46
Education	107%	48
Health and community services	101%	45
Cultural and recreational services	93%	42
Personal and other services	91%	41