#### ABCB Logo

#### Australian Building Codes Board

# GOOD PRACTICE GUIDE for

# PRELIMINARY IMPACT ANALYSIS

This Guide explains the importance of early-stage analysis of proposals to change the National Construction Code, encompassing the Building Code of Australia and the Plumbing Code of Australia, and gives detailed guidance on how to undertake a Preliminary Impact Analysis. The Guide provides advice which is consistent with Council of Australian Governments’ principles for Best Practice Regulation and compliant regulatory impact analysis.

### WHAT is a PIA?

A Preliminary Impact Analysis (PIA) is an early-stage analysis of the impacts associated with a proposal to alter the National Construction Code (NCC): encompassing the Building Code of Australia (BCA) and the Plumbing Code of Australia (PCC). The PIA process requires that the 'problem' be identified, options to solve the problem are considered, the impacts of all options assessed, stakeholders consulted, and a recommendation put forward for decision. If a PIA finds substantial impacts, the ABCB may proceed with a full Regulation Impact Statement (RIS) in cooperation with the Office of Best Practice Regulation (OBPR).

It is good practice for the PIA to include evidence of the problem, supporting documentation of the impacts (both costs and benefits) and a consideration of non-regulatory solutions to solve the problem. Costs are usually quantifiable but benefits (such as time, health, comfort, amenity, cultural values) can often be intangible and difficult to attribute a dollar amount to. In such instances, benefits should be dealt with in a descriptive or qualitative manner. In some cases, information may not be readily available, however, an attempt to obtain the required information needs to be demonstrated.

### WHY do PIAs?

The ABCB has clear obligations under the Council of Australian Governments (COAG) Best Practice Regulation Guide and the ABCB Inter-Government Agreement to undertake impact analysis of proposed regulatory changes. Any change to the NCC and its referenced documents needs to have supporting evidence that the change will have 'net benefits' (that is, that the benefits outweigh the costs). This documentation is then reported to the OBPR on an annual basis as evidence that the ABCB is meeting COAG requirements. A PIA also helps the ABCB to ascertain whether a full RIS needs to be undertaken.

### WHEN should PIAs be done?

The trigger for undertaking a PIA is any proposed change to the BCA and its referenced documents that will result in an individual or business needing to pursue their interests in ways they would not otherwise have done. This means that a PIA is required for any new, revised or amended provisions as well as for the removal of provisions.

A PIA is not required, however, for changes that are minor or machinery in nature and do not substantially alter existing arrangements e.g. minor editorial changes. If there is any uncertainty, the ABCB will consult with the OBPR on a case-by-case basis.

### HOW does the ABCB do PIAs?

Attached is an outline of the issues to be covered during the PIA development process. Each section includes some questions to guide the developer through the process. Also attached is some further information on likely costs and benefits, business compliance costs and how to consider impacts on competition.

At some stage during the development of a PIA, it may become clear that a regulatory change will have impacts that are significant but difficult to quantify. In this case, an externally conducted cost-benefit analysis may be required. The guiding principle here is that the degree of detail and depth of analysis must be commensurate with the magnitude of the problem and the size of the potential impact of the proposal.

### What happens AFTER a PIA?

Once completed, the PIA will be considered by the ABCB to ensure it meets our COAG obligations. The PIA will be used to support a regulatory proposal to be considered by a technical committee, either the Building Codes Committee or the Plumbing Code Committee, and then by the ABCB Board. If a PIA finds substantial impacts, the ABCB will consult with the OBPR to determine if a full RIS is necessary.

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| AR_ABCB_BlueonWhite logo  **PRELIMINARY IMPACT ANALYSIS** | | | |
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| **PROPOSAL:** Write a clear and concise statement of the nature of the proposal. i.e. ‘This proposal seeks to review Australian Standard (AS) XXXX, *<Title>* to include requirements for XXXX’ or ‘Revise Section X of NCC Volume One to include requirements for XXXX’ etc.  Responsible Technical committee: Australian Standard Committee XX-000, <*Title*> | | | |
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| **NCC REFERENCE:**  For revisions or amendments to existing National Construction Code (NCC) referenced documents, provide additional information | **BCA Volume One:**  **BCA Volume Two:**  **PCA Volume Three:** | <insert Clause(s) as per Specification A1.3 – or N/A>  <insert Clause(s) as per Table 1.4.1 – or N/A >  <insert Clause(s) as per Table A3.1 – or N/A > | |
|  | | | |
| **PROPONENT:** | Nominating organisation:  Nominating individual:  Position:  Contact email: | | XXXX  XXXX  XXXX  [xxxx@xxxx.com.au](mailto:xxxx@xxxx.com.au) |
|  | | | |
| **DATE OF PIA:**  To differentiate between versions include the document date and/or version number | Date: XXXX YEAR  Version: X.X  Status: DRAFT / FINAL | | |
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| **NATURE AND EXTENT OF THE PROBLEM:** | | | |
| Nature of the problem   * Write a clear and concise statement of the nature of the problem to be solved. * Explain the evidence that demonstrates there is a problem (attach supporting documentation if necessary). * What are the consequences of no action? * Detail how the existing arrangements (including existing regulatory arrangements) do not adequately address the problem.   Extent of the problem   * Detail who is affected by the problem and to what extent they are impacted. * How often does the problem occur and what evidence is there to support this?   Note: If there is difficulty in articulating the nature or extent of the problem then there is a possibility that the proposal is unwarranted. | | | |
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| **OBJECTIVES:** | | | |
| * State the objectives of the proposal in terms of what is to be achieved. * The objectives should be specific, measurable and not pre-justify a preferred option. | | | |
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| **OPTIONS:** | | | |
| * Concisely list all feasible options that may address the identified problem. The list of options should be non-biased and detail what the option would involve. * Include the options of ‘Status Quo’ and a non-regulatory option such as the development of a non-mandatory handbook, or improved education and training. | | | |
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| **IMPACT ANALYSIS (OF ALL OPTIONS):** | | | |
| * Provide a cost-benefit analysis of all options identified. * The impacts should be quantified where possible. A qualitative analysis can complement the quantitative analysis where some costs or benefits are difficult to quantity. * For each option, the impact analysis must include: * A description of the costs and benefits.   + Any additional compliance costs that is to be incurred by industry or government as a result of implementing the option.   + Assessment of the effectiveness of the option addressing the problem and objectives.   Note: The impact analysis should draw on the nature and extent of the problem and should focus on the impacts on those impacted by the problem. | | | |
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| **TRANSITIONAL MEASURES**  *For example, continued reference to an old standard (and for how long), continued recognition of test reports to an old standard (and for how long).* | | | |
| * Are transitional measures recommended? * Transitional measures may be necessary when a new or revised document is to be referenced in the NCC, in order to give industry time to adjust, e.g. re-test products to the new standard, adjust product-related documentation or deal with existing products that may no longer comply. Where these consequences cannot be avoided, even with a transition measure, the impacts or costs must be accounted for in the above impact analysis. | | | |
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| **CONSULTATION:** | | | |
| * Explain what consultation has been undertaken to date. * Detail who was consulted and in what manner. * Include the positive and negative feedback that has been received and whether the proposal has been revised as a result of consultation. If not all affected parties were consulted then explain why (attach any supporting documentation). | | | |
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| **CONCLUSION AND RECOMMENDED OPTION:** | | | |
| * Provide a concluding summary which details the recommended option and why. * Highlight any concerns or gaps in information that may affect a decision, or further research that may be necessary. | | | |
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| **IMPLEMENTATION AND REVIEW:** | | | |
| * Explain how the preferred option is capable of being implemented, and the preferred timeline. * If implemented, how and when will the changes (if any) be reviewed? | | | |
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| **LIST OF ATTACHMENTS:**  Provide a list of attached supporting documents. | | | |
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**ATTACHMENT A**

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### EXPECTED ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACTS OF THE PROPOSED OPTIONS AS LIKELY BENEFITS AND COSTS

Benefits and costs are terms used to describe the positive and negative effects of a proposal. A benefit includes any item that makes any person better off, regardless of whether it can be easily measured or quantified.

A cost is any item that makes someone worse off, or that reduces a person’s sense of wellbeing. Cost items should include ‘opportunities forgone’ because a particular proposal has been adopted.

Costs to businesses — including small business — might include:

* ‘paper burden’ or administrative costs to businesses associated with complying with and/or reporting on particular regulatory requirements;
* licence fees or other charges levied by government;
* changes likely to be required in production, transportation and marketing procedures;
* shifts to alternative sources of supply;
* higher input prices; or
* restricted access to markets.

It is important to note that where there are medium or significant business compliance costs, the Business Cost Calculator (BCC), or approved equivalent, should be used to estimate these costs.

Costs to consumers may include:

* higher prices for goods and services resulting from restrictions on competition;
* reduced utility (quality, choice etc) of goods and services; or
* delays in the introduction of goods to the marketplace and/or restrictions in product availability.

Costs to the community and/or the environment may include:

* environmental degradation or pollution;
* reduction in health and safety;
* undesirable redistribution of income and wealth; or
* lower employment levels or economic growth.

Costs to government may include:

* running education campaigns/providing information;
* administration of licensing/inspection services;
* collection and collation of business information; and
* enforcement costs.

#### Benefits

The benefits of the options to business, consumers, government, other affected groups and the community at large should be identified and described. Many benefits may not be readily quantifiable. Examples of benefits include:

* improvements in product and service quality;
* availability of a wider range of products and services;
* reductions in costs or prices;
* reductions in workplace accidents and improvements in public health and safety;
* improvements in environmental amenity;
* reductions in compliance costs for business and administrative costs for government; and
* improvements in the information available to business, the workforce, consumers or the government

### ATTACHMENT B

### BUSINESS COMPLIANCE COSTS CHECKLIST

The following checklist will help you identify if the proposal has the potential to increase compliance costs on business.

* Will businesses incur costs when they are required to report certain events?
* Will costs be incurred by business in keeping abreast of regulatory requirements?
* Are costs incurred in seeking permission to conduct an activity?
* Will businesses need to purchase materials, equipment, or external services?
* Will businesses need to keep records?
* Will businesses incur costs when cooperating with audits or inspections?
* Will businesses incur costs when producing documents?
* Will businesses incur costs from other changes to their procedures or practices?
* Are there any other compliance costs, including indirect costs or impacts on intermediaries such as accountants, lawyers, banks or financial advisers?
* If you have answered ‘yes’ to any of these questions, you will need to determine if business compliance costs are low. In general, compliance costs to business would be low when only a few businesses are affected and the costs are negligible or trivial. For example:
* changes to regulation that are machinery in nature, involving technical changes which will not have an appreciable impact on business and are consistent with existing policy (such as indexation);
* there would be a very small initial one-off cost to business and no ongoing costs; or
* businesses would not need to seek advice about the change from external advisers.

Proposals which have a broad impact (ie affect a large number of businesses), or which involve a cost per business which is not negligible (in relation to the size of businesses involved), would not be considered to generate low compliance cost impacts. In these cases departments and agencies should contact OBPR which will determine the level of regulatory impact analysis required.

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**ATTACHMENT C**

### Competition Assessment Checklist

As part of a regulatory impact analysis, a practical approach for considering the impacts on business and individuals and on competition potentially flowing from regulatory proposals is through a set of threshold questions (a competition checklist) followed by, where appropriate, a competition assessment.

The competition assessment checklist is made up of the following threshold questions. (Some examples are provided.)

• Would the regulatory proposal affect the number and range of suppliers?

– Grant exclusive rights for a supplier to provide a good or service?

– Establish a licence, permit or authorisation process as a requirement of operation?

– Affect the ability of some types of firms to participate in public procurement?

– Significantly alter costs of entry or exit to a supplier?

– Create a geographic barrier to the ability of businesses to supply goods or services, invest or supply labour?

• Would the regulatory proposal change the ability of suppliers to compete?

– Control or substantially influence the price at which a good or service is sold?

– Alter the ability of suppliers to advertise or market their products?

– Set standards for product/service quality that are significantly different from current practice?

– Significantly alter costs of some suppliers relative to others?

• Would the regulatory proposal alter suppliers’ incentives to compete vigorously?

– Create a self-regulatory or co-regulatory regime?

– Impact on the mobility of customers between suppliers?

– Require/encourage the publishing of information on company outputs/price, sales/cost?

– Exempt an activity from general competition law?

If the answer to any of these questions is ‘yes’, the policy officer should assess the scope and scale of the impacts.

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