

Valuation of Land (General and Supplementary Valuation) Amendment Regulations 2012

Regulatory Impact Statement – March 2012



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**VALUATION OF LAND (GENERAL AND SUPPLEMENTARY VALUATION)
AMENDMENT REGULATIONS 2012
REGULATORY IMPACT STATEMENT**

This Regulatory Impact Statement (RIS) has been prepared to fulfil the requirements of the *Subordinate Legislation Act 1994* and to facilitate public consultation on the proposed Valuation of Land (General and Supplementary Valuation) Amendment Regulations 2012.

In accordance with the *Victorian Guide to Regulation*, the Victorian Government seeks to ensure that proposed regulations are well-targeted, effective and appropriate, and impose the lowest possible burden on Victorian business and the community.

A prime function of the RIS process is to help members of the public comment on proposed statutory rules before they have been finalised. Such public input can provide valuable information and perspectives, and thus improve the overall quality of the regulations. The proposed Regulations are being circulated to key stakeholders and any other interested parties, and feedback is sought. A copy of the proposed Regulations is provided as an attachment to this RIS (see pages 60-61).

Public comments and submissions are now invited on the proposed Valuation of Land (General and Supplementary Valuation) Amendment Regulations 2012. Unless otherwise indicated, all submissions will be treated as public documents and will be made available to other parties upon request. Written comments and submissions should be forwarded by **5:00pm, Friday, 30 March 2012** via either email or post to:

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This Regulatory Impact Statement was prepared for Land Victoria by Regulatory Impact Solutions Pty Ltd. It has been prepared in accordance with the requirements of the *Subordinate Legislation Act 1994* and the *Victorian Guide to Regulation*.

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ABBREVIATIONS

COAG – Council of Australian Governments

DSE – Department of Sustainability and Environment

FTE – Full Time Equivalent (staff)

MCA – Multi-criteria Analysis

NCP – National Competition Policy

Premier’s Guidelines – Subordinate Legislation Act 1994 Guidelines

PSV – property sales and valuation

PV – present value. Present value ‘discounts’ the value of money in future years to allow it to be valued in today’s terms.

RIS – Regulatory Impact Statement

s. – section

SRO – State Revenue Office

the Act – *Valuation of Land Act 1960*

the amending Act – *Valuation of Land Amendment Act 2009*

the current Regulations – Valuation of Land (General and Supplementary Valuation) Regulations 2003

the Guidelines – *Cost Recovery Guidelines* incorporating the information formerly published in the *Guidelines for Setting Fees and User-Charges Imposed by Departments and Central Government Agencies*

the proposed Regulations – Valuation of Land (General and Supplementary Valuation) Amendment Regulations 2012

VCEC – Victorian Competition and Efficiency Commission

VG – Valuer-General

VGV – Valuer General Victoria

VPS – Victorian Public Service

TERMS

allocative efficiency – is a situation where economic resources are allocated in a way that maximises the net benefit to society. It is achieved when the value consumers place on a good or service equals the cost of resources used up in production.

fee for service – (also called *user charge*) is the direct charge for the provision of a good or service by the Government in an open market. Examples include the charge of processing a Freedom of Information request, and the fee for a copy of a marriage, birth or death certificate.

marginal cost pricing – is equal to the cost of supplying an extra unit of a good or service. It represents only the variable costs of production and approximately equates to the cost of extraction and distribution in the case of valuation information.

pure public goods – are non-excludable and non-rivalrous, so that consumption of the good and the benefits arising from that consumption are available to the community as a whole. Such goods are often associated with the free rider problem, which exists when people enjoy the benefits of government-provided goods/services regardless of whether or not they pay for them.

private goods – where consumption by one party conflicts with its use by another, and where benefits of consumption only accrue to the consuming party. Under these circumstances, there is a strong case for the party consuming and benefiting from the private good to pay for its provision. An example of a private good would be a copy of a land title certificate.

spatial information – comprises all information describing the physical location of objects and the metric relationship between objects.¹

user charge – (also called *fee-for-service*) is the direct charge for the provision of a good or service by the Government in an open market. Examples include the charge of processing a Freedom of Information request, and the fee for a copy of a marriage, birth or death certificate.

valuation record – section 7C of the *Valuation of Land Act 1960* provides that the Valuer-General is responsible for establishing and maintaining a ‘record’ of all valuer-general valuations, and all council general and supplementary valuations provided to the Valuer-General.

¹ See ANZLIC, 2010, *Economic Assessment of Spatial Data Pricing and Access – Stage 1 Report: Principle, Issues and Alternative Models November 2010*, prepared by PricewaterhouseCoopers, p. 5.

EXECUTIVE SUMMARY

Context

The Valuation of Land (General and Supplementary Valuation) Amendment Regulations 2012 (proposed Regulations) – the subject of this Regulatory Impact Statement (RIS) - will facilitate easier access to valuation data by Victorians. The proposed Regulations give effect to the 2009 changes to the *Valuation of Land Act 1960* (the Act) which allow the Valuer-General (VG) to provide valuation information to the public.

Provision of valuation data by the VG to the public offers many benefits to the Victorian community. For example:

- it will be easier for organisations or businesses with properties across the state to promptly obtain valuation data for all their properties, as they will be able to simultaneously obtain valuation information for all their properties from the one organisation (the VG) rather than having to contact multiple local councils. This will assist these businesses to make informed decisions:
- persons researching properties across Victoria (e.g. as part of deciding whether to purchase land) will be able to obtain all the relevant valuation information directly from the VG rather than having to obtain it from multiple local councils, reducing the time and resources necessary for such research:
- research projects of benefit to the wider community will find it easier to draw upon valuation data, as such data will be able to be obtained from anywhere in Victoria from the VG.

Section 7E of the Act specifies that applications to the VG for access to information or records that form part of the ‘valuation record’ must be accompanied by the prescribed fee. These fees are being prescribed in the proposed Regulations.

The Act provides that the VG must ensure that any part of the valuation record that is made publicly available must be made available in accordance with the information privacy principles contained in the *Information Privacy Act 2000*. The valuation record contains information concerning VG valuations, council general valuations, and supplementary valuations. Information available by public search will pertain to a property. Searches based on an individual will not be permissible. Councils will still retain the right to use their own valuation data.

Prior to the 2009 amendments to the Act, valuation data was only provided to the public by each of the 79 separate local governments, who only provided information for their own municipality. It was not possible for the public to obtain valuation data on a state-wide basis except via the cumbersome process of contacting each of the 79 separate councils and aggregating each council’s data. As a result of the 2009 amendments, the VG will serve as custodian of a state-wide valuation database and provide councils, government departments and the general

public with up-to-date quality valuation data. The system, which has been developed and is currently being tested, will be used to provide valuation data to the public once the regulations are in place.

Purpose of a Regulatory Impact Statement

In Victoria, the *Subordinate Legislation Act 1994* requires that new regulatory proposals that impose a 'significant economic or social burden on a sector of the public' will require the preparation of an RIS. To provide guidance on whether there is a 'significant impact', the Premier's Guidelines suggest that where a statutory rule imposes a fee or charge of more than \$500,000, then a RIS may be required. Given that the proposed Regulations introduce a new set of fees which will raise more than \$500,000, the burden imposed by the proposed Regulations requires assessment in a RIS.

A RIS formally assesses regulatory proposals against the requirements in the *Subordinate Legislation Act 1994* and the *Victorian Guide to Regulation*.² The assessment framework of this RIS examines the problem to be addressed, specifies the desired objectives, identifies viable options that will achieve the objectives, and assesses the costs and benefits of the options. Following this, it identifies the preferred option and describes its effect. This RIS also assesses the proposed Regulations' impact on small businesses, undertakes a competition assessment and reports on any changes in the administrative burden to business. Finally, it considers implementation and enforcement issues and documents the consultation undertaken.

The problem to be addressed

Following passage of the *Valuation of Land Amendment Act 2009*, Land Victoria commenced development and implementation of a centralised property valuation system. It was intended that Land Victoria's costs for the development and implementation of this system would be recovered by users of the service when the system was implemented.

Without cost-recovery arrangements for applications to obtain information from the valuation record, government funds will need to be diverted from other areas (e.g. education, health) to fund Land Victoria's information provision. Sufficient funding is necessary to ensure that the quality of Land Victoria's provision of valuation information meets community expectations.

More generally, the recovery of costs incurred by government in undertaking regulatory activity will lead to what economists refer to as 'allocative efficiency'. Incorporating the costs of administering government regulation into the prices of regulated products and services ensures that the costs to the community of the resources used to undertake the regulated activity will become apparent to producers and consumers.

² Department of Treasury and Finance, 2011, 2nd ed, *Victorian Guide to Regulation incorporating: Guidelines made under the Subordinate Legislation Act 1994*, May 2011, Melbourne

For these reasons, the Victorian Government has a general policy that fees and charges should be set on a full cost-recovery basis. Nevertheless, there are situations where it may be desirable to recover less than full cost, or not to recover costs at all.

Objectives

The objective of the proposed Regulations is to recover government costs in an efficient, equitable and effective manner with respect to applications for information from the valuation record. This objective has regard to the following considerations:

- Efficiency – fees should be set to enhance allocative efficiency and to minimise distortions and calls on general revenue.
- Equity – fees should not create a barrier to apply for information (vertical equity) and should not impose costs on parties who are not beneficiaries of a good or service (horizontal equity)
- Effectiveness – fees need to be easy to understand and set in a way to encourage compliance.

Alternatives

The *Subordinate Legislation Act 1994 Guidelines* (the Premier's Guidelines) states that:

where the authorising Act dictates the form of subordinate legislation required, for example, *where the authorising legislation provides for fees to be prescribed by statutory rule, there is no discretion to set those fees by another method.*³ (emphasis added)

Given the limited discretion (i.e., fees must be set in regulations), options in this RIS will focus on fee design elements contained in a statutory rule, rather than considering alternative funding options or use of alternative regulatory/economic instruments.

The fee options considered in this RIS examine the appropriate degree of cost-recovery (i.e., full or partial cost-recovery) in relation to applications for valuation information for private individuals or businesses.

In assessing the degree of cost-recovery, the level of private or public benefit is considered. The general principle is that, where private benefits are captured by individuals or businesses, full cost-recovery should apply. However, in situations where a public benefit can be demonstrated, there may be an argument for departing from full cost-recovery.

³ Subordinate Legislation Act 1994 Guidelines, Revised 2007, Section 2.04.

The preferred option and proposed fees

Multi-criteria Analysis (MCA) was used as a tool to assess the fee options. The MCA methodology is explained in section 4.2.2 of this RIS. The MCA assessment suggests that, in cases in which valuation information is used by individuals or businesses for commercial uses or for private benefit, full cost-recovery is the appropriate level to set the fees.

Table 1: Summary of MCA results

Option	MCA Score
A Private or commercial use - full cost-recovery - preferred	50.00
B Private or commercial use - Partial cost-recovery	25.00

Given the preferred fee design options, the next step required calculation of the amount to be recovered. To do this, Land Victoria undertook a detailed review of current arrangements and the forecast demand for information from the valuation record. Following this exercise, the total costs estimated to be incurred by Land Victoria consisted of establishment costs (\$545,000 annualised over six years) and ongoing annual operating costs (\$2.36 million), which provided a total estimated cost of \$2.9 million to be recovered each year.

The results of the MCA assessment were used to inform the fee principles of the proposed Regulations to ensure that fees are set in a way that balances efficiency and equity, while building on a system that is familiar to stakeholders. It is proposed that four market channels be used to provide access to valuation information:

- subscribers to Land Victoria services,
- public – via the internet,
- public – over-the-counter transactions, and
- any purchasers of the entire valuation record.

Given the fee design options and amount to be recovered, per unit fees were calculated and costs adjusted for the mode of distribution (e.g. internet sales require fewer resources than over-the-counter sales). The proposed fees are shown in Table 2 below. It is estimated these fees will raise an annual \$3 million.

Table 2: Proposed Fees

Service channel	Fees description	Fee (\$)
Subscribers	Access up to 21 properties per month	100.00
	Additional properties > 21 (per record)	4.75
Public – online	Per transaction	6.85
Public – over-the-counter	Per transaction	9.40
Public/brokers	Access to all releasable information (per record)	0.50
Public/brokers	Supplementary valuation (per record)	1.25

Table 3: Forecast Annual Revenues:

Delivery channel	Units	Licence fees	Fees revenue (\$)
Brokers* (2)		Licence fee \$1.25 m	2,500,000
Supplementary valuations	340,000	Per transaction \$1.25	425,000
Subscribers	9,900	Per transaction \$4.77	47,223
Public - online	6,600	Per transaction \$6.85	45,210
Public – over-the-counter	100	Per transaction \$9.40	940
Total			3,018,373

* While ‘brokers’ are mentioned, purchases of these data are open to any person or organisation.

The projected total cost of \$2.9 million to Land Victoria of managing and providing valuation information approximates the projected revenue of \$3 million arising from these fees. Given that forecast demand for valuation information is an estimate and rests on a number of assumptions (based on best available evidence) the proposed fees are considered likely to cover Land Victoria’s costs and provide a small margin if demand is lower than expected. Over the life of the regulations (approximately 18 months) it is expected that the proposed fees will raise approximately \$4.4 million (PV)⁴.

It is important to note that the current regulations will expire on 16 December 2013. This will provide an opportunity to review practical operation of the proposed fee structure and to test the forecast demand.

Groups affected

Groups affected by the proposal include applicants for valuation certificates (property owners, individuals, real estate agents, financial institutions, planning bodies, business services firms, and information brokers), local governments, Land Victoria and other government agencies.

⁴ 1 July 2012 – December 31 2012 (nominal), 1 January 2013 – 16 December 2013 discounted at 3.5 per cent.

This Regulatory Impact Statement concludes that:

- the proposed fees are set in accordance with the cost-recovery principles contained in the *Victorian Guide to Regulation and Cost Recovery Guidelines*,
- the proposed Regulations do not impose restrictions on competition,
- the fee levels are unlikely to disadvantage small business, and
- the proposed Regulations will not lead to a material change in the administrative burden on businesses.

Public consultation

The prime objective of the RIS process is to help members of the public comment on proposed Regulations before they are finalised. Public input, which draws on practical experience, can provide valuable information and perspectives, and thus improve the overall quality of regulations. No consultation with affected parties on the proposed fees and the level of cost recovery has been undertaken to date. Therefore, the proposed Regulations are being circulated to key stakeholders and feedback is sought. The Department of Sustainability and Environment (DSE), which administers the *Valuation of Land Act 1960*, welcomes and encourages feedback on the proposed Regulations.

As part of the requirements under the *Subordinate Legislation Act 1994*, Land Victoria has issued this RIS to provide stakeholders with the opportunity to comment on the proposed fees. To date, the views of brokers have not been sought and therefore the assumption that two brokers will purchase the valuation record is the opinion of Land Victoria.

While comments on any aspect of the proposed Regulations are welcome, stakeholders may wish to comment on:

- whether the proposed level of fees will create any barriers to obtaining valuation information,
- whether any groups should be exempt from the fees,
- the likely demand from brokers to purchase the entire valuation record,
- whether the proposed arrangements for purchase of the entire valuation record raise any competition issues,
- whether the releasable information raises any privacy issues,
- possibly unintended consequences associated with the proposal,
- whether the proposed fees should recover all of the costs related to the valuation process rather than only the costs related to the Valuer General's centralised valuation system, and
- any ways to streamline or improve the proposed fees.

Unless otherwise indicated, all submissions will be treated as public documents and will be made available to other parties on request.

1. WHAT IS THE ISSUE/PROBLEM TO BE ADDRESSED?

1.1 Background

Valuation

Property valuation is the analysis of property transactions to determine their comparable value. Valuers gather and evaluate a range of information to determine the market value of a property. Valuations are used for many purposes, including setting limits for the sale and purchase of properties, determining compensation following the compulsory acquisition of property, asset accounting and management, lending and associated financial dealings, property settlements, property rating and taxation systems, and property portfolio analysis.

As described above, valuations data mostly has private benefit characteristics. An owner or potential property buyer may obtain this information on a single property in order to inform their decisions concerning a property transaction or for asset valuation purposes. However, such data in aggregate may also have ‘public good’ characteristics. For example, the State Revenue Office, water authorities and Commonwealth Grants Commission may use this data for public administrative purposes, including raising revenue or providing grants. In addition, other non-commercial organisations may use valuations data to inform valuation research or policy formulation. Benefits from these activities may accrue to the broader community.

Currently, the valuation information for each parcel of land in Victoria, on which the council rates are determined, is calculated on a biennial basis (once every two years). When appropriate (e.g. a change in local circumstances such as a building or renovation project is likely to have changed a valuation), a supplementary valuation may be conducted for a parcel of land between the biennial valuation processes which will replace the valuation for that parcel of land given in the previous biennial valuation process.

Following the introduction of the *Valuation of Land Act 1960*, rating valuations have been conducted by municipalities and the costs shared between the relevant council, the State Revenue Office (SRO) and until the 1990s the relevant water authority. Councils incurred the costs and recovered them from other rating and taxation agencies. Following the corporatisation of water authorities in the 1990s, water authorities ceased contributing directly to the cost of the biennial rating valuation process (water authorities do purchase supplementary valuations when they require them). Since the 1990s, the cost of the valuation process has been borne equally between the relevant municipality and the SRO.

The Valuer-General (VG) is the state’s independent authority on property valuations. The VG oversees all significant government property valuations and council rating authority valuations.

Rating authority valuations in Victoria are regulated by the *Valuation of Land Act 1960* (the Act) and are the ministerial responsibility of the Minister for Environment and Climate Change. Rating authority valuations underpin the annual

collection of approximately \$2.5 billion of municipal rates and approximately \$1.2 billion of state government land tax revenue. Municipalities are responsible for undertaking rating valuations on behalf of all rating authorities, including the State Revenue Office and water authorities. Valuation data is also used by the Victorian and Commonwealth Grants Commissions. Regulation of the municipal valuation process helps ensure equity in Victoria's rating and taxing valuations.

The VG is located within Land Victoria and is responsible for administration of the Act. The Act establishes the process for the administration of rating authorities or council valuations in Victoria. The VG is responsible for certification of council valuations, which form the basis of local government rate revenue collection and State Government land tax assessment.

Land Victoria, a division of DSE, manages the Victorian Government's key programs for land administration and property information. Land Victoria provides authoritative, comprehensive and easily accessible services in:

- Land Registration,
- Property Information,
- Valuation,
- Surveying, and
- Geographic Names.

Legislative context

Amendments to the Act passed by the Victorian Parliament in December 2009, amongst other things, made the VG the custodian of state-wide land valuation data. Previously, because each local council had ownership of its land valuation data, revaluation data was not readily available for public policy or community purposes.

As custodian, the VG is now required to establish and maintain a record of general and supplementary valuations, which will be made available for public use. These amendments were enacted on 1 May 2010 and empower the VG to release valuation information from each biennial revaluation cycle.

Under the new legislation, persons can apply to the VG to access information or records that form part of the valuation record. Releasable information includes the Capital Improved Value, Net Annual Value, Site Value and a property description (see [Attachment C](#)), and is subject to the Information Privacy Principles contained in the *Information Privacy Act 2000*. Section 7E(2) of the Act requires that such applications be accompanied by a fee to be prescribed by regulation.

The Valuation of Land (General and Supplementary Valuation) Amendment Regulations 2012 (the proposed Regulations) will prescribe these fees to be paid by persons making application to the VG to access information or records that form part of the valuation record, and is the subject of this RIS.

Releasable valuation information

Within the legislative framework, it is proposed that fees will be set for a number of information products. The valuation information to be released is defined in Section 7D(3) of the Act as ‘releasable information’ with respect to:

- (a) the net annual value, the site value and the capital improved value for each property recorded in the valuation record, where that value has been determined in the relevant valuation specified in section 7C(1), and
- (b) a property description for each property recorded in the valuation record.

Available products will be the valuation information under section 7D(3)(a), the property description under section 7D(3)(b), and a combination of both components. The information to be released in each valuation product is detailed in Attachment C.

Following passage of the *Valuation of Land Amendment Act 2009*, Land Victoria commenced development and implementation of a centralised property valuation system. It was intended that Land Victoria’s costs for development and implementation of this system would be recovered by users of the service when the system was implemented.

Land Victoria proposes to use four market channels to provide access to valuation information. These include subscribers to Land Victoria services, the public via internet from Land Victoria, the public over-the-counter from Land Victoria, and purchasers of the entire valuation record (anticipated to be information brokers).

Protection of personal privacy

The Act provides that the VG must ensure that any part of the valuation record that is made publicly available must be made available in accordance with the information privacy principles contained in the *Information Privacy Act 2000*.

The releasable information will not contain information about individuals. Searches based on an individual’s name will not be permissible. Searches will only be based upon a land identifier (e.g. address). The information available by public search will relate to a property and will not disclose details of any individuals who may use, own or occupy the property.

1.2 Rationale for Government Intervention

1.2.1 User charges

Victoria’s *Cost Recovery Guidelines* apply to cost-recovery arrangements of government departments and general government agencies, including the recovery of the costs associated with the provision of certain government goods and services

– for example, those that are subject to user charges or fees-for-service.⁵ A user charge or fee-for-service is the direct charge for the provision of a good or service by the government in an open market. Examples include the fees for processing a Freedom of Information request, the fee for a copy of a marriage, birth or death certificate, a title search or in the present case, valuation information.

The recovery of costs incurred by government in undertaking regulatory activity will lead to what economists refer to as ‘allocative efficiency’.⁶ Incorporating the costs of administering government regulation into the prices of regulated products and services ensures that the costs to the community of the resources used to undertake the regulated activity will become apparent to producers and consumers. In addition, by decreasing the level of general taxation needed to finance government products, services or regulated activities, cost-recovery also reduces the costs of tax administration and compliance and the ‘deadweight loss’⁷ associated with tax-related distortions.

1.2.2 Risks of Non-intervention

If information is to be provided to applicants, the risk of not proceeding with the proposed Regulations is that the fees taxpayers and the general community would provide a subsidy to persons benefiting from information requests from the valuation record. (Another view is that if fees are not prescribed then no person could obtain information from the valuation record: section 7E of the Act provides that access to information from the valuation record can only be provided when accompanied with a prescribed fee.) More generally, if the proposed fees are not made, the arrangements will not be consistent with government policy as articulated in the Department of Treasury and Finance *Cost Recovery Guidelines*.

1.3 Type and Incidence of Costs

The *Victorian Guide to Regulation* identifies three categories of regulatory costs: these are compliance costs (which include administrative, substantive compliance and delay costs), market costs and financial costs.⁸ These costs are explained in [Attachment A](#). The category of costs relevant to the proposed Regulation is ‘financial costs’. Financial costs are the result of a concrete and direct obligation to transfer a sum of money to the government or relevant authority. Such costs include fees.

Sometimes administrative costs may be relevant when considering fees; however, in the present case, such costs (e.g. the time taken to complete forms and pay the fees) do not represent an obligation imposed on business to demonstrate compliance with the regulation or to allow government to administer the regulation.

⁵ Department of Treasury and Finance, 2010, *Cost Recovery Guidelines*, Melbourne

⁶ ‘Allocative efficiency’ is a situation where economic resources are allocated in a way that maximises the net benefit to society. It is achieved when the value consumers place on a good or service equals the cost of resources used up in production.

⁷ In economics, a deadweight loss is a loss in economic efficiency that can arise from the imposition of taxes because the tax prevents some people in engaging in what they perceive as mutually-beneficial transactions.

⁸ DTF (2011), *ibid.* p. F-7

This is because the fee relates to covering the costs associated with the provision of a service. In a sense, individuals or businesses that decide to access information from the valuation record do so voluntarily (i.e. not to demonstrate compliance with a government requirement).

1.4 Problems the proposed Regulations seek to address

1.4.1 Efficient information

At a higher level, the proposed Regulations form part of a regime that seeks to ensure that information is accurate and accessible. ‘Complete information’ is a necessary condition of a well-functioning market, and describes an economic situation in which knowledge about other market participants is available to all market participants. Complete information is one of the theoretical pre-conditions of an efficient, perfectly competitive market. Such information can assist market participants to act rationally and equitably.

Prior to the amendment, state-wide valuation information was fragmented, being held by 79 separate councils. The VG did not own valuation data, and therefore was unable to meet the requests of organisations seeking such data for analysis needs. All other jurisdictions in Australia have a single custodian for such data. When the Bill was introduced in Parliament, the then Minister noted:

It is ridiculous that in Victoria, if an organisation, such as a global fast food or service station retailer, wants to access valuations on all of its properties, it must contact all the municipalities in which the company operates. This is an administrative nightmare. The current system does not promote confidence in business activity in Victoria, in situations where valuations are required to make informed decisions.⁹

While the public previously had access to such information, they needed to be aware of the municipality in which the property was located and contact that council for the valuation. If a prospective purchaser is researching properties along a municipal boundary, there is likely to be uncertainty concerning the location of the property, and often both councils were contacted.

Section 7AA of the Act requires councils to provide general valuation information to the VG. Section 7C will enable the VG to produce a state-wide valuation database, managed by the VG as the custodian of the data. This will provide public access to up-to-date quality data from a single source. In addition, the state-wide database will be the conduit for valuation data used by other rating authorities such as the State Revenue Office. This will remove the inefficiencies of duplicated data and inconsistent data formats. It will also ensure that other such rating authorities receive valuation data certified by the VG.

⁹ Hansard, Second Reading Speech, Valuation of Land Amendment Bill, 2 September 2009, p. 2970

The ‘valuation record’ established by 7C of the Act will provide the property industry, policy makers and the wider community with a single source for accessing authoritative property valuation data. This should lower ‘search costs’. The cost of searching has two aspects: external and internal costs. External costs include the monetary costs of acquiring the information, and the opportunity cost of the time taken up in searching. Internal costs include personal costs to individuals entailed in undertaking the search, sorting the information, and integrating it with what a person already knows.

1.4.2 Full cost-recovery

As stated in the *Victorian Guide to Regulation*, general government policy is that regulatory fees and user charges should be set on a full cost-recovery basis because it ensures that both efficiency and equity objectives are met.¹⁰ Full cost represents the value of all the resources used or consumed in the provision of an output or activity. In terms of efficiency and equity:

- Full cost-recovery promotes the efficient allocation of resources by sending the appropriate price signals about the value of all the resources being used in the provision of government goods, services and/or regulatory activity.
- From a horizontal equity point of view, full cost-recovery ensures that those that have benefited from government-provided goods and services, or those that give rise to the need for government regulation, pay the associated cost. Those parties that do *not* benefit or take part in a regulated activity do not have to bear the costs.¹¹

While general policy is for costs to be recovered on a full cost basis, there are, nevertheless, situations where it may be desirable to recover at less than full cost, or not to recover costs at all. These situations may include where there are benefits to unrelated third parties (i.e., positive externalities) or where social policy or costs considerations (vertical equity) are considered to outweigh efficiency objectives associated with full cost-recovery.¹² In the absence of the proposed fees, around \$3 million would be incurred by the Victorian Government (i.e. the Victorian taxpayer). This figure represents the ‘extent’ of the problem to be addressed by the proposed Regulations.

¹⁰ Section 3.2.13 of the *Victorian Guide to Regulation*

¹¹ DTF (2010), *ibid.*, p. 7

¹² *ibid.*

2. OBJECTIVES OF GOVERNMENT INTERVENTION

2.1 Government Policy

2.1.1 Cost-recovery

In May 2010 the *Cost Recovery Guidelines* were revised to clarify the policy principles underpinning cost-recovery arrangements.¹³ The Guidelines provide the primary policy consideration concerning the proposed Regulations. The Guidelines establish a whole-of-government framework, thereby ensuring that cost-recovery arrangements in Victoria are transparent, efficient, effective and consistent with legislative requirements and government policy. These Guidelines follow the principle that properly designed cost-recovery arrangements can deliver both equity and efficiency benefits to the community.

In addition, in 2009 a Parliamentary *Inquiry into Improving Access to Victorian Public Sector Information and Data* was conducted.¹⁴ That inquiry noted that:

Cost recovery can enhance economic efficiency if it is appropriately implemented. For example, cost recovery is appropriate when attached to the provision of products that are additional to the basic information set at the request of individual users. Cost recovery is inappropriate if those products have public good characteristics and/or produce significant positive externalities.¹⁵

That inquiry also found that there was substantial potential for spatial data (which includes valuation information) held by the public sector to contribute to new commercial and public services and research.¹⁶ In this regard, the inquiry recommended that there were arguments for treating much public sector information as merit goods, and there may be instances where the recovery of no or marginal costs of these products is appropriate.¹⁷

Land Victoria advises that some data is occasionally requested by government agencies or not-for-profit organisations for research or policy development, and such activities may have public good characteristics. It should be noted that fees or charges for such requests for information will not be covered by the proposed Regulations. In these cases, charges will be determined on a case by case basis (for instance, fees may be charged on a marginal cost basis, i.e. staff time and cost of materials, but not fixed costs).

Therefore, the charging of fees based on full cost recovery is considered appropriate for valuation information, as it is expected that the vast majority of

¹³ Department of Treasury and Finance (2010(a)), *Cost Recovery Guidelines*, Melbourne

¹⁴ State of Victoria, 2009, *Inquiry into Improving Access to Victorian Public Sector Information and Data*, Parliamentary Paper No. 198 Session 2006-2009

¹⁵ *ibid.*, p. xxi

¹⁶ *ibid.*, p. xxxi

¹⁷ State of Victoria, 2010, Whole of Victorian Government Response to the Final Report of the Economic Developments and Infrastructure Committee's Inquiry into Improving Access to Victorian Public Sector Information and Data, response to recommendation 16

valuation information will be used by the public for **private benefit** (e.g. to assist in making decisions about purchasing or renting properties).

2.2 Regulatory Framework

2.2.1 The Act

The *Valuation of Land Act 1960* is administered by DSE¹⁸ and provides the broad legislative framework for land valuation in Victoria. As noted above, the Act was amended in 2009 to allow the VG to maintain the valuation record. Section 7E(2) of the Act requires that an application to obtain information from the valuation record must be accompanied by the prescribed fee. The purpose of this RIS is to assess the appropriate operation of the proposed fees. The new sections inserted into the legislation by the amending Act are contained in Attachment D.

2.2.2 The Regulations

The Valuation of Land (General and Supplementary Valuation) Regulations 2003 (current Regulations) prescribe certain forms, information and processes relating to the general valuation of rateable land in the area of a rating authority. These regulations will be amended to include the proposed fees.

2.2.3 Land Victoria

Land Victoria collects, maintains and disseminates particular land-related information for the State. The VG operates within Land Victoria and, amongst other things, oversees property valuation for councils and rating authorities. Land Victoria will retain the fee revenue under section 29 of the *Financial Management Act 1994* to recover the costs of providing the service.

2.3 Objectives

The objective of the proposed Regulations is to recover government costs in an efficient, equitable and effective manner with respect to applications for information on the valuation record. This objective has regard to the following considerations:

- Efficiency – fees should be set to enhance allocative efficiency and to minimise distortions and calls on general revenue,
- Equity – fees should not create a barrier to applying for information (vertical equity) and should not impose costs on parties who are not beneficiaries of a good or service (horizontal equity), and
- Effectiveness – fees need to be easy to understand and set in a way to encourage compliance.

¹⁸ Except for Divisions 1 and 2 of Part III, Divisions 5 and 6 of Part III where they relate to determination of appeals by a Land Valuation Division of the Victorian Civil and Administrative Tribunal, and Part IV insofar as it relates to the administration of the above provisions.

2.4 Authorising Provision

The proposed Regulations are made under section 52 of the *Valuation of Land Act 1960*, which provides that:

The Governor in Council may make regulations for or with respect to any matter or thing authorized or required to be prescribed by this Act or necessary or expedient to be prescribed for carrying this Act into effect.

The authority to make the proposed Regulations relates to section 7E(2) of the Act, which deals with searching the valuation records, and provides that “An application under this section must be accompanied by the prescribed fee”.

3. OPTIONS TO ACHIEVE THE OBJECTIVES

3.1 Principles of Fee Setting

Cost-recovery may be defined as the recuperation of the costs of government-provided or -funded products, services or activities that, at least in part, provide private benefits to individuals, entities or groups, or reflect the costs imposed by their actions. The *Cost Recovery Guidelines* apply to cost-recovery arrangements of government departments and general government agencies and include the recovery of the costs incurred by government in providing goods and services.

As stated in the Guidelines, general government policy is that regulatory fees and user charges should generally be set on a **full cost-recovery basis**; however, if it is determined that full cost-recovery is not consistent with other policy objectives of the government, then it may not be appropriate to introduce a full cost-recovery regime. Consideration may be given to a regime of partial cost-recovery (if it can be demonstrated that a lower than full cost-recovery does not jeopardise other objectives) and/or to rely on other funding sources (e.g. general taxation) to finance the government activity.

3.2 Options – Limited to Regulations

In identifying options, it seems reasonable to assume that in certain cases, the regulations are the only viable option because they ‘give effect’ or ‘operationalise’ key elements of the Act. While these suppositions should generally be avoided, clause 2.04 of the *Subordinate Legislation Act 1994 Guidelines* (the Premier’s Guidelines) states when the Act requires that a thing or matter be prescribed in regulations, then it must be provided in the Regulations:

where the authorising Act dictates the form of subordinate legislation required, for example, *where the authorising legislation provides for fees to be prescribed by statutory rule, there is no discretion to set those fees by another method.*¹⁹ (emphasis added)

Given the limited discretion (i.e., fees must be set in regulations), options, this RIS will focus on fee design elements contained in a statutory rule, rather than considering alternative funding options or use of alternative regulatory/economic instruments. Practical fee design options are further limited by the simple, transaction-based nature of obtaining valuation information.

This RIS analyses the proposed fees in two steps: first, the amount of costs recovered will be considered (i.e., full or partial cost-recovery); and second, individual fees will be designed to recover costs efficiently, equitably and effectively.

¹⁹ Subordinate Legislation Act 1994 Guidelines, Revised 2007, Section 2.04.

3.3 Full or partial cost-recovery

When designed and implemented appropriately, the adoption of cost-recovery has the potential to advance efficiency and equity objectives. However, the Guidelines note that “efficiency and equity considerations may need to be balanced against each other in determining the appropriate form of cost-recovery”.²⁰

The Guidelines also set as the main objective full cost-recovery from regulatory activity. While this does not preclude partial cost-recovery, it does set out conditions under which partial cost-recovery would be considered appropriate. The following points outline conditions where partial cost-recovery may be considered appropriate:

- Where merit goods are being provided, or where activities generate benefits to unrelated third parties,
- Where objectives of income redistribution or social insurance are important,
- Where concessions are deemed appropriate,
- Where full cost-recovery may undermine innovation and product development,
- Where the government is providing goods and services on a commercial basis in competition with the private sector, and/or
- Where full cost charging could undermine other objectives.

When assessing effectiveness, the fees should not be set at such a rate so as to discourage compliance. Therefore, feasible fees options were considered as follows:

- Full cost-recovery (relevant fee based on 100 per cent of the average costs (both direct and indirect)), or
- Partial cost-recovery (e.g. a rate less than 100 per cent to take equity or other considerations into account);

The government could, of course, choose to recover no costs (i.e. zero cost-recovery); however, given that this alternative is analogous to the ‘base case’, it is not considered as an option.

3.4 Fee Design Options

The fee design options below are considered and assessed within a cost-benefit analysis framework. In this RIS, the cost to the Land Victoria of providing the services associated with the activities for which fees are set in the Regulations is the target for cost-recovery. Recognising the nature of information users, two distinct groups are identified as: individuals and business. Consequently, the fee design components considered in this RIS are:

²⁰ DTF (2010), *ibid.*

- Option A – full cost-recovery for individuals and businesses
- Option B – partial cost-recovery for individuals and businesses

3.5 Regulatory Arrangements in other Jurisdictions

A detailed review was undertaken of interstate fees and practices. In other jurisdictions, brokers and valuers typically obtain unrestricted access to databases for an annual fee. No information on usage was available. Individual valuations sold to the public are often bundled with other title information, and sometimes planning information is sold at relatively high retail prices. Only NSW²¹, Queensland and South Australia offer state-wide data, but this is provided in various forms. NSW only returns a land value, and data available is on an *ad hoc* basis. South Australia returns an improved value and the licensed product for brokers is for sales with valuation attributes added and is therefore not directly comparable with the Victorian arrangements.

Overall, the review found that most jurisdictions use only site value in their rating and taxing valuations, and are therefore not directly comparable to the approach taken in Victoria. Attachment E summarises the arrangements in other states and territories.

Accordingly, interstate comparisons were not considered an appropriate benchmark to use for the proposed fees. The approach taken in South Australia, which has Capital Improved Value as well as Site Value, is similar to that in Victoria. However, South Australia provides data to brokers and to valuers in a different way to Victoria, and is active in the retail market.

²¹ The NSW charge would be \$1.25 million for 2.5 million records.

4. COSTS AND BENEFITS OF THE FEE OPTIONS

4.1 Base Case

The ‘base case’ describes the regulatory position that would exist in the absence of the proposed Regulations. For the purposes of regulatory analysis, the base case of ‘doing nothing’ is not considered an alternative given that the government has identified a problem that needs to be addressed (i.e. the need to recover regulatory costs). However, it is necessary to establish this position in order to make a considered assessment of the incremental costs and benefits of the viable options. Given that no fees are currently prescribed, the base case is represented by a situation in which no fees are set.

4.2 Methodology

4.2.1 Recovery of efficient costs

Two broad approaches to costing might be adopted to allocate direct and indirect costs to outputs: the activity-based costing method and the pro-rata approach.

The activity-based costing method examines the activities undertaken within an organisation, determines what resources are used in the process to deliver a good or service, and then assigns costs to outputs according to the consumption of resources in the production of the outputs. Each activity is costed on the basis of the resources consumed.

In its simplest form, the pro-rata approach involves grouping all indirect costs into a single pool, and then applying a proportional measure. However, the Guidelines state that because of the accuracy of the activity-based costing approach, it is preferred over the pro-rata approach.²² Consequently, this RIS adopts the activity-based costing approach to calculate individual transaction costs to set the fees where the data is readily available.

Cost-recovery may be defined as the recuperation of the costs of government-provided or -funded products, services or activities that, at least in part, provide private benefits to individuals, entities or groups, or reflect the costs imposed by their actions.

4.2.2 Multi-criteria analysis

Reflecting the objectives of the proposed Regulations (section 2.3) and the Government’s *Cost Recovery Guidelines*, a Multi-criteria Analysis (MCA) was used to assess the preferred fee option. MCA is presented in this RIS as an alternative assessment tool to complement the financial analysis. The MCA approach is described in the *Victorian Guide to Regulation* (pp. 85–86). It represents a convenient means of comparing a range of alternative approaches.

²² DTF (2010(a)), *ibid.* p. 51

This technique requires judgements about how proposals will contribute to a series of criteria that are chosen to reflect the benefits and costs associated with the proposals. A qualitative score is assigned depending on the impact of the proposal on each of the criterion weightings, and an overall score can be derived by multiplying the score assigned to each measure by its weighting and summing the results. If a number of options are being compared, then the option with the highest score would represent the preferred approach.

Reflecting good design principles of fees and the objectives of the proposed Regulations, two criteria – efficiency and equity²³ – were chosen and weightings selected. These are described in Table 4 below. The ‘efficiency’ criterion is assigned a weighting of 50 per cent reflecting its overall importance in achieving the Government’s policy objectives in relation to fee setting, while the ‘equity’ criterion examined ‘vertical’ and ‘horizontal’ equity aspects, each being assigned a weighting of 25 per cent.

Table 4: Multi-criteria Analysis criteria and weightings

Criterion	Description of criterion	Weighting
Efficiency	Fees should be set to enhance allocative efficiency and to minimise distortions and calls on general revenue.	50
Equity (vertical)	Fees should not create a barrier against applying for information.	25
Equity (horizontal)	Fees should not impose costs on parties who are not beneficiaries of a good or service.	25

For the purposes of an MCA assessment, an assigned score of zero (0) represents the base case, while a score of plus one hundred (+100) means that the alternative fully achieves the objectives. A score of minus one hundred (–100) means that the proposal does not achieve any of the objectives. In terms of assessment using the MCA, under the base case each criterion is awarded a score of zero reflecting the default position (i.e., the regulatory position in the absence of the proposed Regulations). Accordingly, the base case scenario overall receives a net score of zero.

4.2.3 Decision criteria

The decision criteria implied by the *Subordinate Legislation Act 1994* is that the benefits of a proposal should outweigh the costs, and that the preferred option is that which results in the largest net benefit. The MCA assessment tool is used to assess the costs and benefits of the viable options. As noted above, the option with the highest score represents the preferred approach.

²³ ‘Effectiveness’ is usually considered as another characteristic of good fee design; however, in this case, given that collection systems and compliance would be identical for full or partial cost recovery, ‘effectiveness’ would score broadly the same for both options. Therefore, ‘effectiveness’ is not considered separately.

4.3 Cost-recovery options

As noted earlier, the Premier's Guidelines provide limited discretion concerning options when the primary legislation dictates that the fees are to be prescribed by regulation. Given the limited discretion, options focussed on ensuring that the proposed fees are designed in a way that balances efficiency, effectiveness and equity.

In addition, the *Cost Recovery Guidelines* state that the general government policy is that regulatory fees and user charges should be set on a full cost-recovery basis. In this case, full costs represent the value of all the resources used or consumed in the provision of information from the valuation record.

4.3.1 Public or private good

Typically, the 'beneficiary pays' approach can be used to identify who should pay for the provision of government goods and services. Under this approach, private parties should, in general, meet their share of the costs of providing goods/services that confer private benefits, but cost-recovery charges should not be applied to costs incurred by the government from meeting public interests or providing public goods/services. In deciding the appropriate nature of charging regimes, an assessment should be made of where the good or service sits on the public-private good 'continuum'.

At one end of the public-private good continuum are 'pure public goods', which are non-excludable and non-rivalrous, so that consumption of the good and the benefits arising from that consumption are available to the community as a whole. Such goods are often associated with the free rider problem, which exists when people enjoy the benefits of government-provided goods/services regardless of whether or not they pay for them. Defence, lighthouses or public parks are examples of public goods.

At the opposite end of the public-private good continuum are 'private goods', where consumption by one party conflicts with its use by another, and where benefits of consumption only accrue to the consuming party. Under these circumstances, there is a strong case for the party consuming and benefiting from the private good to pay for its provision. The provision of valuation information has private good characteristics and therefore, a strong case for 'beneficiary pays' can be made.

4.3.2 Option A – Full or partial cost-recovery from individuals and business

To assess the options against the government's objectives, an MCA assessment was undertaken with respect to the options of full or partial cost-recovery from individuals and business. For the purposes of this assessment, partial cost-recovery is assumed to entail recovery of 50 per cent of the Land Victoria's costs. A separate assessment was not undertaken for a zero cost-recovery option, since this option approximates the 'base case' (and would imply a score of zero).

Full cost-recovery

Given that full cost-recovery is the most economically efficient option for fee levels and fully achieves the Government’s objective on efficiency grounds, a maximum score of 100 is assigned to this criterion. This rate of recovery ensures that the regulatory costs to government are fully embedded in the cost of the valuation information provided to individuals or business. It is important to remember that such parties derive ‘private benefits’ from this government service.

Full cost-recovery, at the margin, may deter some individuals from requesting such information from the record (vertical equity). Therefore, a small negative score is assigned to this criterion.

A full cost-recovery would remove any cross subsidises associated with partial cost recovery, while a single rate across the state will mean that applicants will pay a consistent rate for valuation data for the first time (currently council charges vary). A small positive score of 25 is assigned to the horizontal equity criterion. Taken together, this results in a net score of **+50.0**.

Table 5: MCA of Option A– Full cost-recovery

Criteria	Weighting	Assigned Score	Weighted Score
Efficiency	50%	100	50.00
Equity (vertical)	25%	-25	-6.25
Equity (horizontal)	25%	25	6.25
Total	100%		+50.00

Partial cost-recovery

An MCA assessment was also undertaken for an option that recovered 50 per cent of Land Victoria’s costs. Partial recovery in this instance may, at the margin, lead to overuse of the product beyond an optimal resource allocation. Partial recovery may constrain the funds available for Land Victoria to adequately resource and update the valuation record. Consequently, a score of 50 is assigned to the efficiency criterion. This score is positive because 50 per cent recovery is a substantial improvement over the ‘base case’ under which no costs would be recovered.

Lower fees would also improve affordability of the valuation products and a positive score of 25 is assigned to reflect improved affordability (vertical equity). However, the community as a whole would subsidise the private benefits obtained by individuals and businesses that apply for valuation information from the record. A score of -25 is therefore assigned to the horizontal equity criterion. This results in a net score for the partial cost-recovery option of **+25.0**.

Table 6: MCA of Option B – Partial cost-recovery (assumed 50%)

Criteria	Weighting	Assigned Score	Weighted Score
Efficiency	50%	50	25.00
Equity (vertical)	25%	25	6.25
Equity (horizontal)	20%	-25	-6.25
Total	100%		+25.00

The MCA scoring for the full or partial cost-recovery options suggests that full cost-recovery (+50.0) is superior option to partial cost-recovery (+25.0). This result is largely driven by economic efficiency considerations when setting fees, and in this case was not offset by equity issues given that benefits mostly accrue to private individuals and businesses rather than to the broader community.

4.3.3 Summary of MCA results

The MCA assessment suggests that, in cases in which valuation information is used by individuals or businesses for commercial uses or for private benefit, full cost-recovery is the appropriate level to set the fees. A summary of the MCA results is shown in Table 7 below.

Table 7: Summary of MCA results

Option	MCA Score
A Private or commercial use - full cost-recovery - preferred	50.00
B Private or commercial use - Partial cost-recovery	25.00

4.A COST CALCULATIONS AND DERIVATION OF FEES

Given the preferred degree of cost-recovery and fee design options identified above, forecasts of likely demand for land valuation products were estimated, along with the cost base associated with providing these products.

Sales volumes forecasts

The sale volume forecasts draw on Land Victoria's experience with property sales data, titles and associated products. Demand for property sales information currently derives from several sources:

- national and state based property information brokers,
- professional valuers and real estate agents,
- government departments and educational institutions, and
- the general public.

In Victoria there are currently limitations on the access to property sales information because it is the only jurisdiction that presently does not offer property sales information directly to the public. In Victoria, access to property sales information for valuation purposes is limited to licensed information brokers (80 per cent) and professionals using an account based internet service (20 per cent). Most other jurisdictions provide wholesale data to property information brokers and several states operate websites for public access to single or multiple report based products and/or in conjunction with a title search.

The title search market was reviewed to examine likely market behaviour and to assist in estimating volumes for the valuation market. In Victoria, title searches are sold through four channels:

- information brokers (92 per cent)
- credit-card based internet service (3 per cent)
- professionals attending the office (4 per cent)
- over-the-counter staff assisted service (1 per cent)

The conclusion is that, as with property sales data, the majority of sales are through information brokers, while a much smaller proportion is through internet services and over-the-counter.

Some information brokers provide value added 'statistical' or 'desktop' valuations to the finance industry. There appears to be two significant operators in Victoria. Access to detailed property description/attribute data and the finished rating and taxing valuation will enable them to produce higher quality, more accurate valuations with lower risk. The market size is assumed to be limited to the total of mortgages registered, i.e. 220,000 per annum.

These brokers also cultivate an online business serving the public and other professionals. It is expected that the biennial valuations will be purchased by each broker (2,500,000 valuations), together with a significant proportion of the 170,000 annual supplementary valuations. While the actual number of sales by brokers will not be known precisely, Land Victoria expects it to exceed 90 per cent of the market. A figure of 90 per cent therefore seems reasonable, based on experience of the title search market.

It is not expected that every mortgage will require a valuation for a number of commercial reasons (e.g. low loan to valuation ratio). If it is assumed 75 per cent of the 220,000 mortgages require valuations (i.e., 165,000 valuations), then a figure of 90 per cent would imply around 148,500 valuations obtained through brokers.

It is assumed that about 20 specialised valuation firms will purchase about 500 valuations per year. Other low volume valuers/real estate agents are expected to purchase valuations occasionally using the Land Victoria internet interface. These estimates are based on the experience of the VG with the structure of the valuation industry and the experience of LANDATA[®] with the title and property sales information markets.

The public is expected to purchase valuation information mainly through information brokers, but some 6,600 are expected to use the Land Victoria internet interface. It is expected that around 100 sales per annum (two per week) will occur over-the-counter when obtaining a title search. Table 8 below summarises the expected sales volumes by market segment.

Table 8: Estimate volumes by market share

Market channel	Share (%)	Volumes
Brokers	90	148,500*
Specialist valuers	6	9,900
Public - Internet	4	6,600
Public – over-the-counter	<0.1	100
Total	100%	165,000

*Note: The broker volume is broker market sales, not purchases, as they are licenced to access the whole database.

An alternative approach would be to allocate the fees on the basis of estimated activity or market share. This is likely to produce a similar outcome to the proposed Regulations and may be more transparent than using a residual approach to calculate the fees. This approach would appear to have merit and be worthy of consideration. However, at this stage, market segments cannot be estimated with the degree of accuracy that would provide significant benefits over the proposed approach. As noted above, the current Regulations sunset in December 2013 and this will provide a chance to review the reasonableness of the forecasts and whether a market share approach is a superior alternative to the current residential approach.

Costs to be recovered

The costs of conducting state-wide biennial ratings valuations for Victoria is approximately \$40 million over two years (this includes the cost of the supplementary valuations made subsequent to the biennial ratings valuation). As noted earlier, this cost is borne equally by local councils and the State Revenue Office.

The 2009 amendments to the Act require the Valuer-General to maintain and make available a state-wide valuation record. The 2009 amendments also gave councils the option to transfer valuation responsibility to the Valuer-General.

To facilitate the Valuer General's new responsibilities, the Valuer-General has overseen the development of a new centralised Valuer-General valuation system. This will hold all the Victorian valuation information and from this database, the Valuer-General will provide valuation data to the public. The new, centralised system will also be used for conducting valuations on behalf of local councils who choose to transfer responsibility for conducting the valuation rating process to the Valuer-General.

The cost of the new centralised Valuer-General valuation system is approximately \$3 million per year.

It is proposed that the fees for providing valuation information will only recover the \$3 million per year cost of the new centralised Valuer-General valuation system, rather than the full \$23 million per year²⁴ total cost of conducting the biennial ratings valuations for Victoria. The reason for this is that only the new centralised Valuer-General valuation system is used to provide the valuation data to the public.

Initial set-up costs have been identified and will be amortised over six years. This is the period of the contract for the valuation system, and is considered an appropriate period for the investment. Operating costs have been identified in 'layers' as follows:

- base valuation information costs applying for all services,
- costs applying only to users of the subscription service,
- costs applying only to the public internet service, and
- additional costs applying to the public over-the-counter service.

²⁴ This \$23 million per year is the \$40 million per two years cost of the biennial ratings valuations annualised (\$20 million per year) plus the annual \$3 million cost of the new centralised Valuer-General valuation system.

Base valuation information costs applying to all services:**Table 9: Establishment costs (\$), amortised over six years**

Establishment cost components ²⁵	Total Cost (\$)	Annualised Cost (\$)
VGV project management and system implementation ¹	120,275	20,046
LANDATA [®] project management Divide by 3 as PSV* is 2/3 property sales and 1/3 valuation ²	301,708	16,762
LANDATA [®] PSV* system development Divide by 3 as PSV* is 2/3 property sales and 1/3 valuation ³	921,500	51,194
VGV set-up costs for valuation system at VGV and all councils ⁴	2,740,175	456,696
Total annualised up-front costs		544,698

See Attachment F for detailed costings of each component. Also see footnote 26.
PSV – Property Sales and Valuation

LANDATA[®] has estimated the annual costs of supporting the service operations based on experience with the currently supported property sales data system.

Table 10: Annual operating costs (\$)

Operating cost components ²⁶	Amount per year (\$)
Service Operational Management (undertaken by LANDATA [®] unit in Land Victoria) ¹	216,187
Valuation data quality assurance (cleansing data from local councils) ²	273,252
System costs ³	1,721,209
Land Victoria corporate overheads @ 13.79% ⁴	67,494
DSE labour overheads @ 15.21%	84,709
Total	2,362,851

See Attachment F for detailed costings of each component. Also see footnote 27.

²⁵ 1. See table D1 (in attachment F). 2. See table D2 (in attachment F). 3. Actual total invoiced cost of system development, but excludes ongoing maintenance and enhancements in 2011. 4. The Valuer-General has accepted a Munitec offer for a valuation system service over six years (combined software, facilities management and implementation) at a total cost for VGV and 79 councils of \$2,740,175. See table D3.

²⁶ 1. See table D4. 2. See table D5. 3. See table D6. 4. Overhead costs are calculated on the basis required by DSE and DTF fees and charges guidelines. Land Victoria overheads comprise 13.79 per cent on labour costs. DSE overheads comprise 15.21 per cent on divisional costs.

The annual operating costs and the annualised establishment costs represent the total annual costs. The unit cost is the total annual cost divided by the total number of valuations. Thus:

$$\$2,362,851 + \$544,698 = \$2,907,549$$

$$\$2,907,549 \div 2,500,000 \text{ valuations state-wide} = \$1.163 = \$1.16 \text{ per unit}$$

Accordingly, the base cost per valuation per year is \$1.16.

To the base cost, extra costs applicable to each delivery channel have been identified

Table 11: Costs applying to the Public Internet service²⁷

Type of Cost	Amount per year (\$)
User interface software	10,500
User interface maintenance	10,000
Facilities management	15,000
Total	35,500

The public internet user interface has not yet been built, and the costs of development and operation have been estimated by LANDATA[®] based on other, similar experience with incremental information technology enhancements. Sales of valuation information direct to the public is expected to remain low, based on services provided by brokers to the public, and the availability of some of the same valuation information on the Land Information Certificate provided by councils to property buyers and sellers (rates certificates include the valuation information).

The annual costs of the public internet service of \$35,500, when divided by annual sales of 6,600, produces a unit cost of \$5.30. To that figure, the base cost of \$1.16 and the internet credit card transaction cost of 40 cents is added to provide a full cost of the public internet service of \$6.86, rounded to **\$6.85**.

Table 12: Costs applying to the public over-the-counter service

Type of Cost	Amount per unit
Five minutes of time of a VPS2	\$2.50
Paper and toner consumables	\$0.05
Total unit cost	\$2.55

The cost of over-the-counter service is estimated as five minutes of staff time plus paper and toner consumables. Other incremental costs are nil and considered negligible on a full cost basis. The full cost of the over-the-counter service is the

²⁷ User Interface development is estimated at \$63,000 based on LANDATA[®] experience with other medium sized enhancements. Costs included assume amortisation over six years. Similarly, the ongoing maintenance and facilities management are based on LANDATA[®] experience.

unit cost of the public internet service of \$6.85²⁸ plus the \$2.55 staff service, providing a total cost of **\$9.40** per over-the-counter transaction.

Costs applying to users of the subscription service

The costs for users of the subscription service are lower than the over the counter and internet sales due to higher sales volumes and slightly lower operating costs. The cost of the subscription service is the base valuation price of \$1.16 plus a similar cost of the public user interface (but with a professional focus) over a larger volume and without internet credit card costs (\$35,500). These costs are as follows:

$$\$35,500 \text{ per annum} \div 9,900 \text{ searches} = \$3.59 + \$1.16 = \mathbf{\$4.77}$$

Costs applying to purchasers of all valuation data

Brokers typically seek to hold all the data so that they can undertake 'desk-top' or statistical valuations that they sell to banks at prices between \$9 and \$17 for high volume bank contracts and to the public for up to \$50 to \$75 each. They are not expected to purchase data for individual sales on a per transaction basis, but obtain the whole database for a fixed fee and optimise sales value adding within that framework.

In Victoria, there are currently three large and two smaller property sales brokers operating, but it is expected that only two brokers will purchase the whole database and smaller brokers will obtain individual valuations as they make sales. Only two brokers are expected to have the financial resources to afford to purchase the whole database.

Brokers will require the property attributes on a one-off basis, the supplementary valuations as they occur, and the biennial valuation results. The value in these components needs to be recovered separately to reflect their value and to recover the costs. The underlying initial property attribute data is valuable to brokers, as is the supplementary valuations which update that data.

As there are currently 2,500,000 valuation records in Victoria, it would cost a broker \$1,250,000 for attribute data and another \$1,250,000 for biennial valuation data. This would mean a \$2.5 million set-up cost for state-wide coverage plus \$212,500 per year for supplementary valuations; which may drive brokers to only obtain data 'just in time' for their customer requests.

To better match the stream of costs and revenues, it is proposed to offer brokers a six year contract for access to all attribute data and biennial valuation data at an annual fee of \$1,250,000. That will lead low volume brokers to use the subscription access.

²⁸ Land Victoria staff will essentially use the internet to retrieve this information in the same way a member of the public can use the internet (for a charge of \$6.85). The additional \$2.55 represents staff time and resources (i.e., paper, toner).

Land Victoria envisages that the contracts will be adjustable to allow for changes in the fees when regulations are amended. Land Victoria already enters into multi-year contracts with brokers for other types of information whose cost is set by regulations (e.g. land title information), and brokers have not raised objections and appear to be willing to assume a risk/benefit that fees could change over the life of the contract. The proposal to offer brokers a six year contract is also designed to match Land Victoria's costs and revenue flows, given that the Munitec contract has a six-year duration.

In establishing fees for brokers, a balance is sought that provides cost-recovery but does not promote or result in a 'winner-take-all' market concentration where one or two suppliers have a monopoly or duopoly hold over the market.

Factors to consider when establishing wholesale prices for brokers include cost-recovery, as well as recognising that user interfaces, billing, customer service and enquiries are not costs incurred compared with other distribution channels.

The cost of providing access to a supplementary valuation is 250 per cent the cost of a valuation collected as part of the biennial rating valuation. This additional cost arises because a supplementary valuation involves compiling and assessing new property data, and there are fewer economies of scale advantages compared with valuation data collected as part of the biennial rating valuation. Therefore, the cost of a supplementary valuation for purchasers of all valuation data (\$1.25) is 250 per cent of the cost of a valuation provided in bulk (50 cents)

Table 13: Forecast Annual Revenues:

Delivery channel	Units	Licence fees	Fees revenue (\$)
Brokers* (2)		Licence fee \$1.25 m	2,500,000
Supplementary valuations	340,000	Per transaction \$1.25	425,000
Subscribers	9,900	Per transaction \$4.77	47,223
Public - online	6,600	Per transaction \$6.85	45,210
Public – over-the-counter	100	Per transaction \$9.40	940
Total			3,018,373

* While 'brokers' are mentioned, purchase of these data is open to any person or organisation.

The projected total cost of **\$2,907,549** approximates projected revenue of \$3,018,373. Given that the forecasted demand for valuation information is an estimate and rests on a number of assumptions (although based on best available evidence) the proposed fees are considered to cover Land Victoria's regulatory costs.

Over the life of the regulations (approximately 18 months) it is expected that the proposed fees will raise approximately \$4.4 million (PV)²⁹.

²⁹ 1 July 2012 – December 31 2012 (nominal), 1 January 2013 – 16 December 2013 discounted at 3.5 per cent.

5. ASSESSMENT OF COMPETITION IMPACTS

At the Council of Australian Governments (COAG) meeting in April 1995 (reaffirmed in April 2007), all Australian governments agreed to implement the National Competition Policy (NCP). As part of the *Competition Principles Agreement*, all governments, including Victoria, agreed to review legislation containing restrictions on competition under the following principle:

The guiding principle is that legislation (including Acts, enactments, Ordinances or Regulations) should not restrict competition unless it can be demonstrated that:

- (a) The benefits of the restriction to the community as a whole outweigh the costs, and
- (b) The objectives of the regulation can only be achieved by restricting competition.

The *Victorian Guide to Regulation* adopts these fundamental principles and states that a legislative measure is likely to have an impact on competition if any of the following questions can be answered in the affirmative:

- Is the proposed measure likely to affect the market structure of the affected sector(s), i.e., will it reduce the number of participants in the market, or increase the size of incumbent firms?
- Will it be more difficult for new firms or individuals to enter the industry after the imposition of the proposed measure?
- Will the costs/benefits associated with the proposed measure affect some firms or individuals substantially more than others (e.g. small firms, part-time participants in occupations, etc)?
- Will the proposed measure restrict the ability of businesses to choose the price, quality, range or location of their products?
- Will the proposed measure lead to higher ongoing costs for new entrants that existing firms do not have to meet?
- Is the ability or incentive to innovate or develop new products or services likely to be affected by the proposed measure?

Assessed against these criteria, the minor fees contained in the proposal are unlikely to restrict competition in business and in the community. This is because these fees are relatively affordable, apply equally to all businesses and consumers, and do not impose dissimilar requirements compared to other jurisdictions.

However, potential competition issues may arise with respect to the fees for the entire valuation record (brokers' fees). Given the market characteristics, issues may arise if brokers are able to earn above 'normal' profits from valuation products by virtue of the large initial fee preventing entry by other businesses into the market. Under these circumstances, new businesses may find it difficult to enter the market and bid away any such 'supernormal' profits.

Against this view, smaller brokers that do not wish to purchase the entire valuation record may become subscribers to the valuation subscription service and obtain selected valuation data via this channel. Such brokers could specialise in areas or segments of the market without the need to outlay the relatively large fee for the entire valuation record.

Land Victoria's assumption that only two brokers will purchase the entire valuation record is based on its knowledge of the broker market for land related information. Land Victoria has extensive experience selling land title related information via LANDATA[®]. If more than two brokers purchase the valuation record, (which is considered unlikely), over recovery of costs would occur. In this event, the fees would be revised accordingly when the principal regulations are remade after they expire in December 2013. If additional brokers began purchasing the valuation record after the regulations were remade, then amendment regulations could be used to amend the fees to ensure revenue accorded with cost recovery.

At this stage, it is difficult to determine whether any 'supernormal profits' will be earned from the services offered by brokers. The operation of the regulations over the next 18 months should provide a clearer indication of whether any competition issues exist.

In the absence of such knowledge, on balance, the proposed Regulations have been found to meet the NCP 'competition test' as set out in the *Victorian Guide to Regulation*. Land Victoria will, however, monitor brokers' fees and market behaviour closely for any competition issues that might arise.

6. THE PREFERRED OPTION

6.1 Preferred option

Assessment of fees options in this RIS found that full cost-recovery was the option that fulfilled the Government's objectives to the greatest degree with respect to applications for valuation information from individuals and businesses. However, in situations where public benefits are likely to arise, then partial cost-recovery consistent with marginal cost pricing is considered appropriate.

The results of the MCA assessment were used to inform the fee principles of the proposed Regulations to ensure that fees are set in a way that balances efficiency and equity, while building on a system that is familiar to stakeholders. The current channels in relation to sales information and land titles will be utilised. It is proposed that four market channels be used to provide access to valuation information:

- information brokers or purchasers,
- subscribers,
- public – via the internet, and
- public – over-the-counter transactions.

Given the preferred fee design options, the next step required calculating the amount to be recovered. To do this, Land Victoria undertook a detailed review of current arrangements and expected demand for information from the valuation record (see Section 4.A). Following this exercise, the total estimated regulatory costs consisted of establishment costs (of approximately \$545,000 annualised) and ongoing annual operating costs (\$2.36 million), which provided a total estimated cost of \$2.9 million to be recovered. A description explaining the methodology used to calculate the fees is contained in [Attachment F](#).

Given the fee design options and amount to be recovered, per unit fees were calculated and costs adjusted for the mode of distribution (e.g. internet sales require fewer resources than over-the-counter sales). The results of the proposed fees are shown Table 14 below. It is estimated these fees will raise an annual \$3 million.

Table 14: Proposed Fees

Service channel	Fees description	Fee (\$)
Subscribers to the subscription service	Access up to 21 properties per month	100.00
	Additional properties > 21 (per record)	4.75
Public – online	Per transaction	6.85
Public – over-the-counter	Per transaction	9.40
Public/brokers	Access to all releasable information (per record)	0.50
Public/brokers	Supplementary valuation (per record)	1.25

The projected total cost of \$2.9 million to Land Victoria of managing and providing valuation information approximates the projected revenue of \$3 million

arising from these fees. Given that forecast demand for valuation information is an estimate and rests on a number of assumptions (although based on best available evidence), the proposed fees are considered to cover Land Victoria's regulatory costs and provides a small margin if demand is lower than expected.

No public authorities are expected to purchase significant amounts of valuation data from the Valuer General. The State Revenue Office (SRO) and Water Authorities under the Valuation of Land Act have access to detailed property valuation information and therefore, will not need to purchase valuation information from Land Victoria. This access arises because the SRO and Water Authorities contribute approximately 50 per cent of the funding of the collection of data (local councils pay the balance). There may be exceptional cases, such as in the case of the Victorian bushfires, which may justify providing property valuation data free of charge to public sector agencies. However, in such situations, it is unlikely that it would involve the provision of the entire valuation record.

The only likely situation where public sector agencies may use valuation data provided by the Valuer General is when government agencies are seeking valuation data as part of the decision making process when deciding whether to purchase land for infrastructure (e.g. schools, hospitals, prisons). In such instances, only a select number of valuation records would be required (not the entire valuation record). If, in such instances, Government Agencies wished to purchase valuation data from the Valuer-General, they could obtain it directly from the Valuer-General via LANDATA[®] or via a broker at the same rates as members of the public. The number of such purchases of valuation data by public sector agencies is not expected to be significant.

Therefore, on this basis, Land Victoria considers it is appropriate to charge private sector users (individuals and businesses) for 100 per cent of the costs of establishing and maintaining the valuation record. The regulations will be reviewed in 2013 to determine whether this arrangement is still appropriate.

When a Council performs their rating authority valuation responsibilities themselves, they will retain a copy of the valuation record with respect to their local government area. Councils that choose to transfer their rating authority valuation responsibilities to the Valuer-General will be able to access the valuation record with respect to their local government area for no charge. Councils will simply request this data from Land Victoria. All councils, regardless of whether they transfer their rating authority valuation responsibilities to the Valuer-General or perform their rating authority valuation responsibilities themselves, will pay approximately 50 per cent of the cost of undertaking valuations; the State Revenue Office and Water Authorities will bear the balance.

The principal benefit of centralising collection of land valuation data is that Land Victoria will become the 'one stop shop' for this information. Under previous arrangements, this information was held by 79 councils. Victoria was the only jurisdiction in Australia to maintain these parochial arrangements. Businesses, property owner, buyers, financial institutions and public entities will find it more efficient and less costly to obtain this information because of lowered search costs. While it is expected that individuals will use the centralised property valuation

system, the new arrangements do not preclude persons from contacting local councils directly for this information (local councils currently provide valuation information in return for a fee.).

While these benefits are attributable to the legislative measure rather than the regulations, the fee proposal in this RIS will provide the Victorian Government with financial resources to maintain the valuation record.

6.2 Groups Affected

Groups affected by the proposal include applicants for valuation certificates (individuals, real estate agents, financial institutions, planning bodies, business services firms, information brokers), local government, Land Victoria, and other government agencies.

Given that the proposed Regulations are part of a fee for service regime, and that such fees are relatively low (aside from the fee for purchase of the entire valuation record), it is unlikely that the proposed Regulations will disproportionately affect small business.

6.3 Description of the proposed regulations

The draft Valuation of Land (General and Supplementary Valuation) Amendment Regulations 2012 are attached to this RIS at Attachment G (pages 60-61). The clauses of the proposed Regulations are described below:

Regulation 1 sets out the objectives of the regulations, which are to amend the Valuation of Land (General and Supplementary Valuation) Regulations 2003 to prescribe the fees payable for making an application under section 7E of the *Valuation of Land Act 1960*.

Regulation 2 states that the regulations are made under section 52 of the Valuation of *Land Act 1960*.

Regulation 3 provides that the regulations will come into operation on 1 July 2012.

Regulation 4 inserts a new section 12 into the Valuation of Land (General and Supplementary Valuation) Regulations 2003. The new section 12 outlines the fees payable under section 7E of the *Valuation of Land Act 1960* for making application to the Valuer-General for access to information or records that form part of the valuation record and that are publicly available under section 7D of the *Valuation of Land Act 1960*. Specifically, it will insert the following fees:

- (a) to access a property recorded in the valuation record requested by a person using Internet access for a search initiated by accessing an online search facility authorised by the valuer-general and known as LANDATA[®], \$6.85;

- (b) to access a property recorded in the valuation record by a person who attends personally at the Land Information Centre at 570 Bourke Street, Melbourne, \$9.40;
- (c) for a subscriber to the Land Victoria subscription service authorised by the valuer-general, for each calendar month—
 - i. to access up to 21 properties recorded in the valuation record, \$100.00;
 - ii. to access a property recorded in the valuation record in addition to those accessed under paragraph (i), \$4.75;
- (d) to access all releasable information from the entire valuation record, \$0.50 per property recorded in the valuation record;
- (e) for a person who has accessed the releasable information from the entire valuation record under sub-regulation (d) within the previous twelve months, to access supplementary valuations made subsequent to the provision of information to them under sub-regulation (d), \$1.25 per property recorded in the valuation record.

7. IMPLEMENTATION AND ENFORCEMENT ISSUES

Following passage of the Valuation of Land Amendment Bill in 2009, Land Victoria commenced development and implementation of a centralised property valuation system. No funding allocation was provided to Land Victoria for development and implementation of this system, as the government intended that these costs be recovered by the private sector users of the service when the system was implemented.

Land Victoria will use existing channels to provide valuation information. Previous experience in providing land title information and collecting fees should ensure that any implementation issues associated with the proposed Regulations are minimised. Land Victoria's website will be enhanced to provide for the new product, along with information to assist potential customers including Customer Information Bulletins explaining what valuation information is available and how to access it.

Given that the information is controlled by Land Victoria, it is not expected that compliance or enforcement issues will arise. A person or business cannot obtain information from the valuation record unless their application is accompanied by the prescribed fee.

8. EVALUATION STRATEGY

To maintain an emphasis on the efficiency of cost-recovery arrangements, appropriate governance arrangements need to be in place so that departments and agencies are accountable for the costs they are seeking to recover.

When establishing new cost-recovery arrangements, a process for effective ongoing monitoring should be introduced to assist in determining whether:

- the current arrangements remain relevant given changes in circumstances (such as government policy changes),
- the objectives of cost-recovery are still being met and/or there are better ways of achieving the objectives, and
- cost-recovery charges are based on efficient and transparent costs.

This is particularly important for cost-recovery arrangements made under subordinate legislation, which may remain unchanged until the relevant legislation sunsets (usually after ten years). During this time, circumstances may have changed.

The proposed fees will amend the Valuation of Land (General and Supplementary Valuation) Regulations 2003, which will expire on 16 December 2013. These regulations will require remaking. Therefore, in approximately one and a half years' time a full review of the proposed Regulations will occur through the RIS process. This review will consider the appropriateness of the fee levels.

In addition, section 8 of the *Financial Management Act 1994* and regulation 16 of the *Financial Management Regulations 1994* set out standing directions. Standing Direction 3.4 requires each department's chief financial officer and accounting officer approve and review annually the level of charges levied by the department for goods and services it provides.

9. CONSULTATION

The changes to the *Valuation of Land Act 1960* follow the release in December 2008 of a Discussion Paper – The Future Direction of Rating Authority Valuations in Victoria.

The discussion paper proposed centralising the process for completing rating authority valuations, moving responsibility from councils to the VG. The discussion paper did not propose any change to the underlying valuation methodologies, nor did it propose any amendment to the land tax rate or the land tax threshold.

Although several councils from across the state supported full centralisation of the valuation process, there was opposition to the proposal from others. The amendments to the *Valuation of Land Act 1960* recognised the negative comment received on some aspects raised in the discussion paper. For example, the former government amended the proposal so that councils do not have to transfer their valuation responsibilities to the VG. Councils will have the flexibility to opt in and opt out prior to each revaluation cycle as they wish. Most respondents did, however, support changes to make the VG the custodian of valuations state-wide and to make valuations available to the public.

The provision of valuation data could potentially raise privacy concerns for some members of the public. As a result, when the legislative changes were foreshadowed, formal consultation took place between Land Victoria and the Privacy Commissioner. The provisions are therefore framed in such a way to ensure that no personal information is released. It is intended to further confer with the Privacy Commissioner as part of the RIS process.

No consultation with affected parties on the proposed fees and the level of cost recovery has been undertaken to date. As part of the requirements under the *Subordinate Legislation Act 1994*, Land Victoria has issued this RIS to provide stakeholders with the opportunity to comment on the proposed fees. Given that the views of brokers have not been sought, the assumption that two brokers will purchase the valuation record is the opinion of Land Victoria. Consequently, this RIS represents another step in the consultation process and Land Victoria welcomes comments or suggestions with respect to the proposed scope of fees and their levels, and whether there are any other services in relation to obtaining valuations from the record.

This RIS will be publicly available on the DSE website at (www.dse.vic.gov.au) and will be advertised in The Age, The Herald Sun newspaper and the Victorian Government Gazette. Copies of this RIS have been forwarded to key stakeholders inviting comments. The *Subordinate Legislation Act 1994* requires that the public be given at least 28 days to provide comments or submissions regarding the proposed Regulations. Given the relatively straightforward nature of this proposal, the consultation period for this RIS will be 30 days, with written comments required by no later than **5.00pm, Friday 30 March 2012**.

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Legislation

Information Privacy Act 2000

Monetary Units Act 2004

Subordinate Legislation Act 1994

Valuation of Land Act 1960

Valuation of Land Amendment Act 2009

Victorian Government Gazette, No S158, 26 May 2011 (gazettal of fee units)

10. ATTACHMENTS

CLASSIFICATION OF COSTS

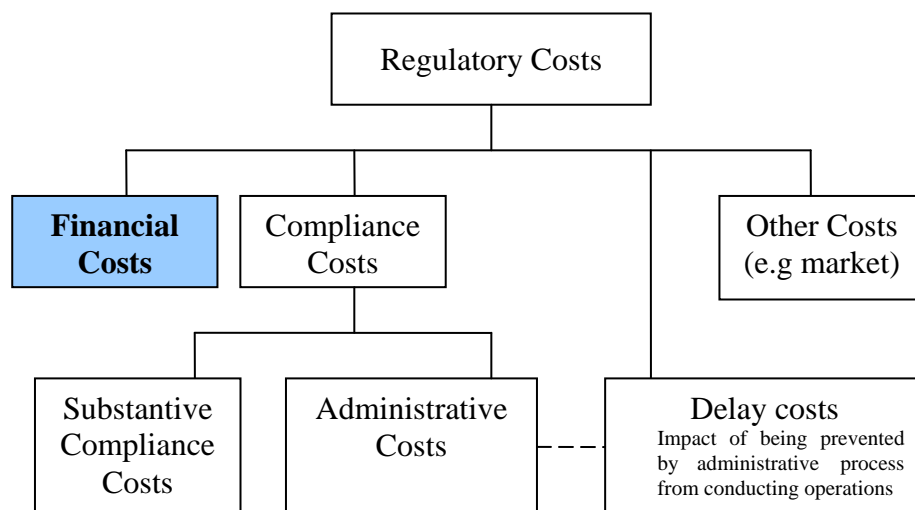
The *Victorian Guide to Regulation* places regulatory costs into three broad categories. The figure below shows these as: financial costs; compliance costs; and market costs. The proposed Regulations exclusively deal with financial costs.

Financial costs are the result of a concrete and direct obligation to transfer a sum of money to the government or relevant authority. Such costs include administrative charges, taxes and fees. These costs are the subject of this RIS.

Compliance costs can be divided into ‘substantive compliance costs’ and ‘administrative costs’. ‘Substantive compliance’ costs are those costs that directly lead to the regulated outcomes being sought. These costs are often associated with content-specific regulation and include modifying behaviour or undertaking specified training in order to meet government regulatory requirements. ‘Administrative costs’, often referred to as red tape, are those costs incurred by business to *demonstrate* compliance with the regulation or to allow government to administer the regulation. Administrative costs can include those costs associated with familiarisation with administrative requirements, record keeping and reporting, including inspection and enforcement of regulation. If the processing of a licence or approval is delayed, then this can impose costs. ‘Delay costs’ are the expenses and loss of income incurred by a regulated entity through an application delay and/or an approval delay.

Market costs are those costs that arise from the impact that regulation has on market structure or consumption patterns. These costs are often associated with licensing of certain activities, prescribing qualifications or limiting access to a certain profession or industry in some other way. When barriers to entry are created, this can allow incumbents to charge higher prices and can result in reduced service levels and stifled innovation. Given the narrow focus of the regulations, it is not expected that they will impose market costs.

Victorian Guide to Regulation – Categories of Regulatory Costs



Attachment B

ASSUMPTIONS

A key assumption of this RIS is the forecast demand volumes for valuation information. Given that this information has not been previously available across the state, demand volumes proved difficult to estimate. Nevertheless, Land Victoria undertook a detailed internal exercise to arrive at the demand estimates. In large part, these estimates are based on experience gained through sales of land and property title data. It is noted that the fees will be formally reviewed within 18 months of the proposed fees being made, since the current Regulation will sunset in December 2013. Labour on-costs and corporate overheads have been calculated by Land Victoria, and are incorporated into the cost base to be recovered.

RELEASABLE INFORMATION OF VALUATION PRODUCTS

Section 7D(3)(a) data

Data Element	Data Type
Assessment Number	T
Address_Ezi	T
Lot No./Plan No.	T
Crown Allotment/Section	T
Australian Valuation Property Classification Code	N
Site Value @ current valuation level	N
CIV @ current valuation level	N
NAV @ current valuation level	N
Level of Value Date	D

N = Numeric, T = Text, D = Date (DD/MM/YYYY)

Section 7D(3)(b) data

Data Element	Data Type
Floor Number	T
Unit Number	T
Unit Suffix	T
From Street Number	T
To Street Number	T
Street Number Prefix1	T
Street Number Prefix2	T
Street Number Suffix1	T
Street Number Suffix2	T
Street Name	T
Street Name Suffix	T
Street Type	T
Suburb	T
Postcode	N
Standard Parcel Identifiers	T
Parish	T
Land Area	N
Land Area Measure	T
Construction Material	T
Construction Year	N

Data Element	Data Type
Renovation Year	N
Services	T
SV @ previous valuation level	N
CIV @ previous valuation level	N
NAV @ 2 previous valuation level	N
Last Return Date	D
Gross Floor Area / Lettable Area (M2)	N
All Improvements	T
GIS Number	T
Frontage (M)	N
Number Of Bedrooms	N
Arable Area (H)	N
Non Arable (H)	N
Vegetation Type	T
Soil Type	T

N = Numeric, T = Text, D = Date (DD/MM/YYYY)

Combined Section 7D(3)(a) and Section 7D(3)(b) data

Data Element	Data Type
Assessment Number	T
Property Name	T
Address_Ezi	T
Floor Number	T
Unit Number	T
Unit Suffix	T
From Street Number	T
To Street Number	T
Street Number Prefix1	T
Street Number Prefix2	T
Street Number Suffix1	T
Street Number Suffix2	T
Street Name	T
Street Name Suffix	T
Street Type	T
Suburb	T
Postcode	N
Standard Parcel Identifiers	T
Lot No./Plan No.	T
Crown Allotment/Section	T
Parish	T
Land Area	N
Land Area Measure	T
Australian Valuation Property Classification Code	N
Construction Material	T
Construction Year	N
Renovation Year	N

Data Element	Data Type
Services	T
Site Value @ current valuation level	N
CIV @ current valuation level	N
NAV @ current valuation level	N
Level of Value Date	D
SV @ previous valuation level	N
CIV @ previous valuation level	N
NAV @ previous valuation level	N
Last Return Date	D
Gross Floor Area / Lettable Area (M2)	N
All Improvements	T
GIS Number	T
Frontage (M)	N
Number Of Bedrooms	N
Arable Area (H)	N
Non Arable (H)	N
Vegetation Type	T
Soil Type	T

N = Numeric, T = Text, D = Date (DD/MM/YYYY)

EXTRACTS FROM THE VALUATION OF LAND ACT 1960 (INSERTED INTO THE ACT IN 2009)

7C Valuer-General to maintain valuation record

- (1) The valuer-general is responsible for establishing and maintaining a record of—
 - (a) all valuer-general general valuations; and
 - (b) all council general valuations provided to the valuer-general under this Act; and
 - (c) all supplementary valuations provided to the valuer-general under this Act.
- (2) The valuer-general may establish and maintain the valuation record in any form that the valuer-general thinks fit.

7D What information is available from the valuation record?

- (1) The valuer-general must ensure that, subject to the Information Privacy Principles, any information that forms part of the valuation record and that is releasable information is made available to the public.
- (2) The valuer-general must not make available to the public information in the valuation record that is not releasable information.
- (3) In this section Information Privacy Principle has the same meaning as in the *Information Privacy Act 2000*; [and] releasable information means—
 - (a) the net annual value, the site value and the capital improved value for each property recorded in the valuation record, where that value has been determined in the relevant valuation specified in section 7C(1);
 - (b) a property description for each property recorded in the valuation record.

7E Searching the valuation record

- (1) A person may apply to the valuer-general for access to information or records that form part of the valuation record and that are publicly available under section 7D.
- (2) An application under this section must be accompanied by the prescribed fee.

FEES FOR VALUATION INFORMATION IN AUSTRALIAN STATES AND TERRITORIES**NEW SOUTH WALES****Fee information by category**

Description	Online searches	Over-the-counter	Bulk sales
Fee	<ol style="list-style-type: none"> \$11.60 for standard land value searches or, Free for the land owner. Need to register and obtain an activation key from which they can obtain a limited number of searches. 	\$13.30 for all OTC land value searches.	Not available online, <i>ad hoc</i> basis only (fees as at August 2011) Scale based on number of assessments - 1-100 \$6-88 through to >500,000 - \$0.5. All requests attract an additional minimum 2 hours processing, extraction & delivery fee at \$224.40 per hour (inc GST).
Data available	Land Value Search - Property No, Address, lot and plan No, Dimensions, year of valuation, Zoning, Land Value, Land Value,	Land Value Search - assumes the same as online searches	
Demand/revenue	Data available from 10/2008. Average Number of searches 11,500 – 12,000 per calendar month of chargeable. Around 2000 per calendar month of the free search for land owners		Revenue not determinable as revenue is combined with other products
Historical data	Past 3 years free for land owners who own property that coincides with the 3 year averaging for land tax.		

Other information

Description	Details
Responsible Government Agency	Land & Property Information
Revaluations frequency	Annual for Land Tax purposes. On average 3 yearly for council rating purposes.
Valuations returned	Land Value
Number of properties assessed	Year - 2008 2,441,947

Description	Details
Comments	No charge to landowners (or authorised delegate) for online access to their own 2008, 2009 and 2010 land values. Most of the searches undertaken are chargeable i.e. not by land owners.
Website	http://shop.lands.nsw.gov.au

QUEENSLAND**Fee information by category**

Description	Online searches	Over-the-counter	Bulk sales
Fee	Only mapping products	\$0.77 to \$826	Several separate fee scales, both for a once off supply per location and per annum fees for the whole of the state.
Data available	Qld VG office did not advise of data available from mapping products		A range of products supplied as digital data files which provide the current and historical data about property valuation and associated information on property and sales. Provides bulk data to data brokers under contract and has available licences to on-sell the statutory reports. Valuations are part of a bundled product that includes sales & more property data than the standard product.
Demand/revenue	Qld VG office could not advise of revenue from mapping products	19 separate fee categories. In 2007/2008. Revenue - \$143,825 for statutory product & ad hoc data extractions.	Approximate annual revenue from bulk sales is \$1.2 million (combines both sales and valuation information data).
Historical data	Only current valuation		

Other information

Description	Details
Responsible Government Agency	Department of Environment & Resource Management
Revaluations frequency	Every 5 years
Valuations returned	Land Value
Number of properties assessed	Approximately 980,000
Comments	Data is made available under licence
Website	http://www.derm.qld.gov.au/

WESTERN AUSTRALIA

Fee information by category

Description	Online searches	Over-the-counter	Bulk sales
Fee	\$7.20 non-certified and \$16.50 certified	\$7.20 non-certified and \$16.50 certified	n.a
Data available	Unimproved Land Value Report & Gross Rental Value Report - address, Land ID, Land Area, Cert of Title No, Map ref, LGA, VS No, Property Type PIN, Current Valuation & relevant dates	Unimproved Land Value Report & Gross Rental Value Report - address, Land ID, Land Area, Cert of Title No, Map ref, LGA, VS No, Property Type PIN, Current Valuation & relevant dates	n.a
Demand/revenue	Moderate demand and for mostly non certified-extracts.	\$67k pa	n.a
Historical data	Valuation Roll Extract Reports include the previous three valuations.		

Other information

Description	Details
Responsible Government Agency	Landgate - Western Australian Land Information Authority
Revaluations frequency	GRV Metro - every 3 years, Non-Metro - every 3-5years UV – State wide annual since 1993
Valuations returned	Land Value & Rental Value
Number of properties assessed	Approximately 1,004,000 GRV roll entries for 1,100,000 properties
Website	http://www.landgate.wa.gov.au/corporate.nsf

SOUTH AUSTRALIA

Fee information by category

Description	Online searches	Over-the-counter	Bulk sales
Fee	\$8.05	\$11.50	<p>Property Valuation Listing - Annual Licence Fee - \$285 pa & 123 clients. Data brokers such as RP Data are not subscribers to this product. The clients using the annual valuation listing are: real estate agents, valuers, financial institutions, conveyancers, legal firms, credit unions, local government and Australian Valuation Office.</p> <p>Custom Bulk Data Products. Government clients are charged if the job becomes an ICT project (cost-recovery of ICT project costs). Non-government clients are charged rates based on a pricing model - time & materials basis with a commercial fee if the data is to be commercialised by the customer. In some instances, the commercial fee is based on the PropertyAssist (on-line land information system) pricing structure for a similar product or at the same rate as the fee for adoption of the Valuation Roll. A \$ value for this 30 per cent valuation data component is not available.</p>
Data available	Provides Valuation Details Report plus title details and sales details	Provides Valuation Details Report plus title details and sales details	Custom Bulk Data Products are developed on demand (subject to Government policy guidelines) for customers where their data needs cannot be satisfied by an existing "off the rack" product or information system. "Customised bulk valuation data in 2009 - 30% of total range" means that valuation data was a component in 30% of the custom data products developed for clients in 2009. The product does not include ownership information.
Demand/revenue	2009 calendar Year - 37,214 basic product purchases. 2009 calendar Year - 81,930 combination purchases	Customer Service Desks	The Annual Valuation List is a snapshot of valuation data as of 30 June each year. Subscribers can search using a number of parameters. For clients who undertake many searches this is a lower cost option that use realtime online access.
Historical data	Available at \$2.80 per print out. 2009 - 463 purchases		

Other information

Description	Details
Responsible Government Agency	Land Services Group - Department for Transport, Energy and Infrastructure
Revaluations frequency	Annual
Valuations returned	Land Value - Improved Value
Number of properties assessed	Approximately 850,000
Comments	PropertyAssist provides two levels of access: LSG Account Customer and Public User. Professionals involved in the land administration industry have access to a comprehensive version of PropertyAssist and receive a monthly account. Access to valuations is also available via the Property Valuation Listing at www.landservices.sa.gov.au for an annual subscription fee of \$285 (incl. GST). Owners access information on their own property for free.
Website	www.propertyassist.sa.gov.au

TASMANIA

Fee information by category

Description	Online searches	Over-the-counter	Bulk sales
Fee	Property Info Sheet \$8.00 Inc GST Property sale \$0.33 Inc GST. Available on line only.	\$8.00 Inc GST	Sales only - subscribed service and under licence. Valuations are not sold in bulk.
Data available	Property Information Sheet - general property data, owners name & address, last 2 govt valuations and 2 most recent sales if available.	n.a	n.a
Demand/revenue	\$512,000 pa- Property Information Sheets Only	n.a	n.a
Historical data	Last 2 valuations available		

Other information

Description	Details
Responsible Government Agency	Department of Primary Industries, Parks, Water and Environment
Revaluation- frequency	Every 6 years
Valuations returned	Land Value, Improved Value, Assessed Annual Value
Number of properties assessed	Approximately 268,000
Comments	Data is made available under licence.
Website	http://www.thelist.tas.gov.au/

ACT

Fee information by category

Description	Online searches	Over-the-counter	Bulk sales
Fee	Unknown	A prescribed fee is mentioned in the act	n.a
Data available	Unknown		n.a
Demand/revenue	Unknown		n.a
Historical data	Unknown		

Other information

Description	Details
Responsible Government Agency	ACT Revenue Office - Department of Treasury
Revaluations frequency	Annual
Valuations returned	Land Value
Number of properties assessed	Not available
Comments	ACT Planning & Land Authority on-sell valuation data to brokers.
Website	http://www.revenue.act.gov.au/

NORTHERN TERRITORY

Fee information by category

Description	Online searches	Over-the-counter	Bulk sales
Fee	Not by the Valuer General	Not by the Valuer General	Not by the Valuer General

Other information

Description	Details
Responsible Government Agency	NT Lands Group - NT Government
Revaluations frequency	Every 3 years
Valuations returned	Land Value
Number of properties assessed	n.a
Comments	The Valuer General supplied data direct to the local councils. It is understood these institutions are responsible for managing public access to the rolls.
Website	n.a

DETAILED COSTINGS

Table D1: VGV project management for implementation of valuation system

Staff VPS level	Number of person years for implementation	Salary p.a. (\$)	Salary cost (dollars) [column 3 x column 2]
GR6	0.5	106,142	53,071
GR5	0.5	81,787	40,894
		<i>Sub-total</i>	93,165
Salary overheads at 28 per cent			27,110
Total VGV project management costs			120,275

Table D2: LANDATA[®] project management for implementation of PSV system*

Staff VPS level	Number of person years for implementation	Salary p.a. (\$)	Salary cost (dollars) [column 3 x column 2]
GR6	1.0	106,142	106,142
GR5	1.0	81,787	81,787
GR4	0.1	68,468	6,847
GR3	0.7	58,477	40,934
		<i>Sub-total</i>	235,710
Salary overheads at 28 per cent			65,998
Total PSV project management costs			301,708

* Actual costs

Table D3: Cost of Munitec implementation

Munitec system implementation	Number	Cost per implementation (\$)	Cost (\$)
Number of non-user councils	41	34,025	1,395,025
Number of current Munitec user councils	38	20,425	776,150
VGV system costs	1	569,000	569,000
Total valuation system costs			2,740,175

Table D4: Annual cost of operational support

Staff VPS level	Number of FTEs	Salary p.a. (\$)	Salary cost (dollars) [column 3 x column 2]
GR6	0.8	106,142	84,914
GR4	0.3	68,468	20,540
GR3	0.3	58,477	17,543
GR2	1.0	45,899	45,899
		<i>Sub-total</i>	168,896
Salary overheads at 28 per cent			47,291
Total annual operational support costs			216,187

Table D5: Annual cost of data quality management

Staff VPS level	Number of FTEs	Salary p.a. (\$)	Salary cost (dollars) [column 3 x column 2]
GR6	0.4	106,142	42,457
GR5	0.6	81,787	49,072
GR4	0.5	68,468	34,234
GR3	1.5	58,477	87,716
		<i>Sub-total</i>	<i>213,479</i>
Salary overheads at 28 per cent			59,773
Total annual data quality management costs			273,252

The annual costs of system management comprise maintenance and enhancement of the PSV system, Cenitex support costs, and Munitec annual licence for the valuation system to VGV and 79 municipalities. The PSV costs are business estimates based on LANDATA[®] experience with PRISM and other systems. Cenitex support costs are based on a share of the total support costs, while Munitec licence charges are based on the tendered prices.

Table D6: Annual system costs

System cost description	(\$)
Munitec annual licence fees	1,504,542
Cenitex annual facilities management charges	66,667
PSV software support and enhancement	150,000
Total annual system costs	1,721,209

**Valuation of Land (General and Supplementary
Valuation) Amendment Regulations 2012**

Exposure Draft

1 Objective

The objective of these Regulations is to amend the Valuation of Land (General and Supplementary Valuation) Regulations 2003 to prescribe the fees payable for making an application under section 7E of the **Valuation of Land Act 1960**.

2 Authorising provision

These Regulations are made under section 52 of the **Valuation of Land Act 1960**.

3 Commencement

These Regulations come into operation on 1 July 2012.

4 New regulation 12 inserted

After regulation 11 of the Valuation of Land (General and Supplementary Valuation) Regulations 2003 **insert—**

“12 Prescribed fees for applying for releasable information from the valuation record

For the purposes of section 7E(2) of the Act, the prescribed fee—

- (a) to access a property recorded in the valuation record requested by a person using Internet access for a search initiated by accessing an online search facility authorised by the valuer-general and known as LANDATA[®] is \$6.85;
- (b) to access a property recorded in the valuation record by a person who attends personally at the Land Information Centre at 570 Bourke Street, Melbourne is \$9.40;

- (c) for a person to access the Land Victoria subscription service authorised by the valuer-general—
 - i. to access up to 21 properties recorded in the valuation record in a calendar month is \$100.00;
 - ii. for a property recorded in the valuation record in addition to and in the same calendar month as those accessed under paragraph (i) is \$4.75;
- (d) for a person to access all releasable information from the valuation record is \$0.50 per property recorded in the valuation record;
- (e) for a person who has accessed the valuation record under paragraph (d) within the previous twelve months, to access a supplementary valuation for a property recorded in the valuation record, is \$1.25.”

