

20 February 2012



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Dear Mr Marsh

ADVICE ON THE ADEQUACY OF REGULATORY IMPACT STATEMENT

Thank you for seeking advice on the Regulatory Impact Statement (RIS) on the proposed *Valuation of Land (General and Supplementary Valuation) Amendment Regulations 2012*.

The Victorian Competition and Efficiency Commission (VCEC) provides advice on the adequacy of RISs as required under section 10(3) of the *Subordinate Legislation Act 1994* (the Act). I advise that the final version of the RIS received by the VCEC on 15 February 2012 meets the requirements of section 10 of the Act.

The VCEC's advice is based on the adequacy of the evidence presented in the RIS and is focused on the quality of the analysis rather than the merits of the proposal itself. **Therefore, the VCEC's advice that the RIS is adequate does not represent an endorsement of the proposal.**

In making this assessment the VCEC notes the following limitations of the analysis, which have been acknowledged in the RIS.

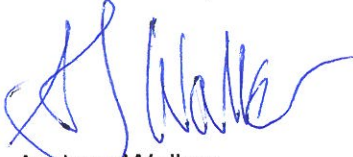
A residual approach has been used to calculate fees for access to the entire valuation record, expected to be purchased by two brokers. This involved calculating the fees for other users (e.g. public internet and over the counter, and professional subscribers) based on their relevant share of base costs and the extra costs applicable to each distribution channel. Fees to access the entire valuation record (i.e. \$1.25 million per annum, based on \$0.50 per record) have been calculated by dividing the residual base costs (\$2.5 million) by the expected number of brokers.

The RIS acknowledges that an alternative approach to calculate these fees on the basis of estimated market share is likely to produce a similar outcome to the proposed Regulations and may be more transparent than using a residual approach. However, at this stage, future market share for the new system cannot be estimated with accuracy and the sunset of the current Regulations in December 2013 will provide a chance to review the methodology. The RIS also acknowledges the potential impact on competition associated with the fees to access to entire valuation record.

The RIS notes that no consultation to date has been undertaken with affected stakeholders on the proposed fee structure. Therefore, formal consultation with stakeholders on the proposed fees and competition impacts will be important. The review of the regulations in 18 months time will also be important to assess the operation of the fee structure and the appropriateness of the fee levels.

In the interests of transparency, most departments and agencies publish this letter alongside the RIS when it is released for consultation. The VCEC recommends that you do the same. If you have any questions, please contact RegulationReview@vcec.vic.gov.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A Walker', with a stylized flourish at the end.

Andrew Walker
Assistant Director
Victorian Competition and Efficiency Commission