

# CORRECTED VERSION

STANDING COMMITTEE ON ENVIRONMENT AND PLANNING

LEGISLATION COMMITTEE

INQUIRY INTO THE REGULATORY IMPACT STATEMENT PROCESS

Melbourne — 17 April 2013

## Members

The Hon R. Dalla-Riva

Mrs I. Peulich

Mr J. Scheffer

Ms G. Tierney

Ms S. Pennicuik

Mr S. Leane

Chair: The Honourable R. Dalla-Riva

Deputy Chair: Ms G. Tierney

## Staff

Secretary: Mr K. Delaney

## Witnesses

Tim Harding and Associates:

Mr T. Harding, Principal, and

Dr G. Rivers, Economist.

**The CHAIR**—I welcome Mr Tim Harding and Dr George Rivers. I declare open the public hearing tonight. The hearing is in relation to the inquiry into the Regulatory Impact Statement Process. I welcome the witnesses from various organisations, and before we start taking evidence I should just advise the witnesses that all evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders, therefore you are protected against any action for what you say here today, but if you go outside and repeat the same things those comments may not be protected by this privilege.

All evidence is being recorded and you will be provided by a proof version of the transcript in the next couple of days. You have been allowed 30 minutes for this section so just after 9 o'clock we will finish. To ensure there is sufficient time for questions the committee ask that opening comments be kept to about five minutes, and I would ask you to begin by introducing yourself. We have already looked at your titles. Provide your business mailing address so that we can also provide a copy of the transcript.

**Mr HARDING**—Thank you, Mr Chairman. My name is Tim Harding. I am the principal of Tim Harding and Associates and my colleague is Dr George Rivers who has his own consulting firm called Rivers Economic Consulting and we work as partners these days on most RISs.

**Mr HARDING**—Thank you very much for this opportunity to the committee. We do not have any particular barrow to push or axe to grind. We just thought since this inquiry was on and we have done so many RISs—probably more than anybody—that we had a public duty to make ourselves available for questions. I know that sounds a bit old-fashioned these days. We have some specific comments, only about certain aspects of the terms of reference, not the entire terms of reference, and they are specifically about some suggestions that we have that could reduce the cost to government of doing RISs, from our experience. We have basically five points there; only one of these would require legislative change.

Firstly, we would suggest that costs would be saved by both departments and the VCEC more closely adhering to the principle of analysis commensurate with impact. Quite often we feel that unnecessary costs are incurred by requiring a lot of data and a lot of detail about a low-impact proposal. This may be suitable for a high-impact proposal that is going to cost millions of dollars but it may not be suitable for a low-impact proposal that is only going to cost less than, say, \$1 million over 10 years. That principle is espoused by the VCEC but we think they should adhere to it more and also departments should adhere to it more.

Secondly, in terms of planning ahead, members of the committee might be surprised to think that an RIS takes six months to do but the bulk of that time is actually the data collection for the RIS, the consultation with key stakeholders and the public consultation process. The public consultation process ideally takes 60 days out of six months gone already. Collecting data—there is a process where you obviously need to talk to the key stakeholders, the industry concerned, before you go public. You need to do that and you need to collect information. That takes the bulk of the time, perhaps two-thirds of the time and only one-third—about two months—is the writing time. They are stop-start projects. If you are consultant you have to work on more than one at once. We work on three or four at once because if you submit a report to the department, and they take two weeks to get back to you, what do you do in the meantime? You have to have a few projects on the go.

Planning ahead would save costs and we would make the point that with some sunset regulations, departments have 10 years notice. It is a bit annoying when they ring you up a month or two before the sunset date to ask, 'Are you available to do an RIS?' Secondly, there is this question of multiple base cases. When you are measuring costs and benefits you have to measure them against a base case. The base case set out in the Guide to Regulation is no regulation. You are measuring the incremental costs and benefits of the proposal from a basis of no regulation in the case of a sunset regulation. With an amending regulation the base case is the existing regulation, but we are finding that after we have submitted our tender and we say, 'We undertake to do it in accordance with the Guide to Regulation,' we then get these demands to do this extra work with a separate base case which we did not allow for in our tender and it caused a lot of problems. You have to build that cost in to anticipate that possibility which is extra cost.

Fourthly, a definition of the legislative instrument should specifically exclude a voluntary code of practice; it does not at the moment. That would require an amendment to the Subordinate Legislation Act. That would save a fair amount of argy-bargy and confusion, wasting time arguing about whether an RIS is needed or not,

because even if there is a half million dollar cut-off you still have to do a fair amount of investigation to work out what the likely cost is going to be, whether it is going to meet that half million dollar threshold or not. If voluntary codes of practice were excluded that would save some costs because by definition if they are voluntary you do not have to provide a RIS, but because they stem from an Act, quite often you get an Act that says—it might be the Prevention of Cruelty to Animals Act, but the Minister may declare a code of practice and industries to follow that. That is thought to be of a legislative character because it stems from an Act and therefore there is confusion as to whether that is a legislative instrument or not. We think that should be cleared up.

Lastly, this question of enforcement. We think there is a flaw in some of the things that are put to us that we should only cost the regulation to the level that the department is going to enforce, whereas we would argue that the law is the law and citizens have a moral and legal duty to comply with the law regardless of the level that is enforced. Very often you will find CEOs of private companies will have compliance with laws and codes of practice written into their contracts so they have to comply with it. We think that is a flaw in the process. That is coming from the VCEC, by the way, that sort of view.

One last thing. We agree with the point that is made in the next submission by Regulatory Solutions that there is evidence that shows that RISs save more money than they cost. They save a lot of money. We would also like to confirm the fact that there have been many occasions where we have given advice to the department that this proposal will not pass a cost-benefit analysis. We recommend that you drop it right now. In all cases, I cannot remember one case that they have not dropped it. That has prevented a proposal going ahead from the department that would not pass a cost-benefit analysis. When that happens we say, 'Well, that's the RIS process working where departments are being advised to drop a proposal that won't work in terms of cost benefit.' Thank you very much.

**The CHAIR**—Thank you. Dr Rivers, do you want to add anything further?

**Dr RIVERS**—I have a very brief opening statement. I feel very proud to be part of the state where it has such a very good process with legislation and assessing legislation and transparency. I am quite privileged to be part of that. What I would like to see is a very good process enhanced. That is why I am here and that is my interest. Thank you, that is all I wanted to say.

**The CHAIR**—Thank you. Given that I have just taken on the role of chair, but I am also the chair of SARC, I am getting a very sped-up view about the RIS and the BIA process and others, I am trying to get a feel for the fact that there are other jurisdictions where the RIS process seems to be better in Victoria, and one in particular we have reviewed through the Productivity Commission was through the COAG process, and I note in your submission you have prepared RISs for COAG.

**Mr HARDING**—Yes.

**The CHAIR**—I am trying to get an understanding why is it that the COAG process appears, on the Productivity Commission's report, to be better than the Victorian RIS process of which we are looking at as part of our reference?

**Mr HARDING**—Could I ask in what way is it thought to be better?

**The CHAIR**—We have a submission which we looked at before which outlined the RIA practices by jurisdiction, and this was provided to the committee. It is titled Australian Government Productivity Commission Regulatory Impact Analysis Benchmarking, dated November 2012. On that there is an outline of fully implemented, partially implemented, and in terms of the processes—I am happy for you to have a look at it—I am trying to get an idea, from the committee's understanding, why there are some processes that are fully implemented under COAG but not here, and where are those shortfalls here as opposed to what is occurring in COAG from your submission that indicates you have done work with COAG.

**Mr HARDING**—We have done half a dozen COAG RISs. Dr Rivers may wish to comment but I am struggling to see the differences. They are not huge differences that I am aware of, except that the COAG process is a two-stage process. The Victorian RIS process ends when the RIS is released for public

consultation; whereas the COAG process has a first stage where a consultation RIS is prepared, like in Victoria, and the second stage is the decision RIS which is a revised RIS taking into account the public submissions. In some ways that is better than the Victorian process. It costs more. Is there anything you want to add?

**Dr RIVERS**—I cannot say much apart from that, that is an obvious difference. The other differences are the technical requirements of the COAG process which is the Victorian Guide to Regulation process. These technical requirements I have seen change over time without a particular logical reason, I have to say. I can say with fully certainty at the COAG level that things have changed over several years, depending on who is in, who is out and who is running the risk process at the COAG level. The Victorian process has been more stable, and apart from that I cannot really see any difference.

**Mr HARDING**—Can I just add that around Australia the Victorian RIS process is generally regarded as the best.

**The CHAIR**—But why?

**Mr HARDING**—I am not quite sure why because—

**The CHAIR**—That is the evidence we have but the question I have is why? What is it that differentiates Victoria against the other states, or indeed COAG and the Commonwealth?

**Mr HARDING**—Dr Rivers may wish to comment but we have done COAG RISs as part of our brief. We have also been asked to follow the Victorian guidelines as well because they are regarded as the golden standard, the best in the country, just as a standard setting process. The VCEC is very demanding, they give us a very hard time, but lately the OBPR has been just as demanding, haven't they?

**Dr RIVERS**—It is interesting. It is about trying to achieve a reasonable level of analysis. We keep coming back to this term of analysis commensurate with impact. It seems to be that that is a critical issue, whether we are talking about a COAG RIS, a Victorian RIS. I was in New Zealand last year providing guidance for Treasury there on RIA process and cost-benefit analysis, and the same issue came up there. Queensland is now moving towards more of this process and I also delivered a workshop there on behalf of the OBPR in Queensland in terms of trying to workshop and provide some guidance as to what the issues are and what the process is. At the end of the day it is about establishing what the appropriate level of analysis would be for a particular legislative instrument and having techniques which are more standardised across jurisdictions would be helpful, a bit more harmonisation of this would be useful and would create a little bit more certainty, I think, to the process. That is my perspective on this.

There are particular things from a technical perspective which Victoria does very well. One of those things is discounting. It uses a very appropriate discount factor. From an economic principle I can tell you—social cost of capital—it is the best approach to use, a much better approach than the Commonwealth standard. That alone has significant implications for how you assess your projects.

**The CHAIR**—Thank you. Mrs Peulich.

**Mrs PEULICH**—Obviously in your comments you have intimated that the process can be improved and you are generally supportive of the two-stage risk process, and I assume from your comments that you may be, and if that is the case, looking at making a distinction between low impact and high impact projects, where would you draw the line? I think you mentioned projects with an impact of less than a million requiring less a level of analysis.

**Mr HARDING**—Over 10 years.

**Mrs PEULICH**—Where would you draw the line? How would you establish the line? Would it be in monetary value and how would you set that?

**Mr HARDING**—I think the monetary value is the easiest to measure obviously and, yes, I think I

suggested \$1 million as the cut-off. You have got a threshold of half a million dollars for whether you do an RIS or not. I would suggest between half a million and \$1 million it should be a pretty low-impact proposal. Whereas at the moment we are required to do the same level of analysis as for a \$100 million proposal and it is a big difference.

**Mrs PEULICH**—It is not an arbitrary threshold?

**Mr HARDING**—Well, I suppose it is arbitrary. It is just a suggestion. The half a million dollars is arbitrary.

**Mrs PEULICH**—Is the \$1 million mark an appropriate—

**Mr HARDING**—I do not know. What do you think, George?

**Dr RIVERS**—I think it has to be in context. I think talking about arbitrary numbers in terms of monetary units is a bit dangerous because when we talk about impact we are talking about socioeconomic impact. It may be a dollar impact, it may be a social impact. We could be talking about small amounts of money but very high impact on the community. I think that has to be addressed on a case-by-case basis, but what I would like to see is a bit more preliminary agreement as to how we are going to proceed, and this would be part of the process. 'Let's get together all the relevant stakeholders'—that is the department, the RIS consultants, the VCEC—'let's sit down and think about this. Is this high impact? How much analysis does this warrant,' and then everybody goes off from there and does what they are supposed to be, rather than the guesswork in terms of trying to anticipate what people want and what they do not want in these particular projects, which can be very time-consuming, very inefficient and create a lot of transaction costs for those involved.

**Mrs PEULICH**—You do not think a case-by-case analysis by all of the relevant players may in itself be inefficient? Is there a more efficient mechanism that might be established?

**Dr RIVERS**—I think a preliminary meeting goes a long way. A preliminary meeting for the parties involved to sit down and say, 'Okay, here is what it is, here's the problem, here's the issue,' have some agreement and then going away from that. The alternative is to have constant documents moving backwards and forwards, things being held up two weeks, three weeks, one month, two months, and costs escalating. I think the up-front investment—and it may seem a little bit annoying, it might seem a little bit, 'I've got an hour of time to sit down and meet with these people'—but it could go a long way in terms of the savings that it has down the track. I think that has to be established right up-front.

If it is a high socioeconomic impact then people are aware of their responsibilities, including the government department that is putting forward the legislation needs to understand that there is a responsibility on their part to be able to meet the needs of the community, and that is the VCEC must uphold analysis commensurate with impact. We are required as consultants to meet that requirement, and government departments need to be aware that if their proposals are high impact then this will necessitate further work and further analysis.

**Mr HARDING**—Can I add something. Very often when a proposal is put forward you might get agreement amongst stakeholders, 'This sounds like a good idea, we should do it,' and it is not till you do the cost-benefit analysis that sometimes costs become apparent compared to the benefits. We had a case—and I will not talk about it specifically—where there was a particular national standard that was being proposed, one of dozens, and I was at the meeting in Canberra and everybody thought this was a good idea. George did the costing of it and it was \$42 million over 10 years. When people realised that was the actual cost of this standard, they dropped it, it was not a good idea any more. Often it is not until you do the cost-benefit analysis that you can sort out which are the good ideas and the bad ones.

**Mr SCHEFFER**—Where I think you are coming from is that you are using a dollar figure, potentially as a ready-reckoner, for whether it should be a smaller-scale analysis or a larger-scale analysis. You started off saying that, I thought. Then you were saying—which I understand and support—that what should happen is there should be a scoping before the final benchmarking is done which would make sense.

**Mr HARDING**—Correct.

**Mr SCHEFFER**—So why did you start off talking about a dollar figure which Mrs Peulich asked about whether that was a satisfactory threshold—

**Mr HARDING**—I think that was me.

**Mr SCHEFFER**—Okay.

**Mr HARDING**—I think it was me who mentioned the dollar figure, simply because it is one thing you can measure. I am aware of the danger of the measurable become important, simply because it is measurable, and you always have to guard against that. Sometimes just because you can measure something it does not mean it is as important as something you cannot measure. For example, we do a lot of RISs in the field of animal welfare, and the benefits to animal welfare, you cannot put a dollar figure.

**Mr SCHEFFER**—Yes. The other thing I was going to ask you, the present process which you are saying is over-engineered and—

**Mr HARDING**—Can be in some cases.

**Mr SCHEFFER**—A lot of paper going to and fro and a lot of work that might not produce an outcome. Overall would you say—leaving aside about the process—does that do the job?

**Mr HARDING**—On balance, as the evidence shows, the RIS process saves more money than it costs, a lot more.

**Mr SCHEFFER**—Even though it is so expensive in some cases.

**Mr HARDING**—In some cases it can be expensive; most cases, not very expensive. On balance the benefits of doing RISs outweigh the costs, I think that is pretty clear, but it could be improved by not requiring so much analysis for low-impact proposals, however you want to measure them.

**Mr SCHEFFER**—But nonetheless the way it works at the moment—I just want to get this clear—it produces a good result but it is a Rolls-Royce model that we could—

**Mr HARDING**—There is a Rolls-Royce RIS for every problem. A Morris Minor might be okay.

**Mr SCHEFFER**—Would there be a view that if you followed the scoping process that that would in any way compromise the ultimate product?

**Dr RIVERS**—Not at all. We talk about stakeholders in terms of looking at a particular issue or problem. The RIS itself is an issue or something that we are trying to address. It is inconsistent to say we need stakeholder consultation around this problem but then those interested parties in the RIS, they do not have any stakeholder consultation. It is trying to emulate, you know, 'This is what we're trying to do for the community with all stakeholders.' I think with the RIS process if the stakeholder is the consultant, the department the VCEC, it should be encouraged that they come together, sit together and try to get an understanding of two things: firstly, what is the problem that is being addressed, because if there is not a problem then there is not a problem. This is very important. It has to be identified that there is something real, genuine, that we are trying to address here.

The second issue has to be how much analysis—and this is where the risk comes in—are we going to do. This is something that departments need to be clear on and have a clear understanding and appreciation of. There are no short cuts, especially if there are impacts. They are going to have large sums of money—putting that aside—and large social impacts on the community as well. There are no short cuts.

**Mr HARDING**—Could I add there is a minimum level of analysis you need to do for any RIS. There is no such thing as a back of the envelope RIS. There is a minimum level you have to do but some of them we

think we have been required to do more than was actually necessary.

**Mrs PEULICH**—How many RISs would you do per year?

**Mr HARDING**—Four, five, six.

**Mrs PEULICH**—Say over 10 years?

**Mr HARDING**—Over 10 years? I have been doing them for 12 years and we have done 48.

**Mrs PEULICH**—What proportion of those out of the 48 would be too long and too technical for the purpose?

**Mr HARDING**—Are we talking about just Victorian ones or COAG ones as well? Perhaps we should talk about Victorian ones.

**Mrs PEULICH**—Okay.

**Mr HARDING**—Out of the Victorian ones, well, I would be guessing but too technical—

**Mrs PEULICH**—Too long and too technical.

**Mr HARDING**—A quarter.

**Dr RIVERS**—Yes, about a quarter.

**The CHAIR**—In terms of your submission, point 3 seems to be the one that is giving angst and that is the lack of pre-planning. If there was a lot more lead time you would be able to do that analysis beforehand to see whether it is worthwhile to do the Rolls-Royce? Taking on Mr Scheffer's and Mrs Peulich's points that were raised, the streamlining, as was suggested, where would that take place? Is it 12 months out as you have suggested? Is it during the initial consultation stage? If so, who makes the analysis? Who makes the determination as to whether it becomes a Rolls-Royce RIS or whether it becomes a Morris Minor RIS—not that I have anything against Morris Minors. How do you determine that, because they are statements but who makes that determination and how do you quantify that?

**Mr HARDING**—I would say in terms of saving costs to government and the community, our first two paragraphs—point 1 about the analysis commensurate with impact—would be the most cost saving. The longer lead time would be a way of implementing that in terms of, if we had more time we could have these scoping discussions amongst stakeholders and departments and the VCEC. But at the end of the day, in terms of how much analysis is required, we can provide advice and departments will have a view, but I suppose at the end of the day the VCEC has got to make that call.

**Dr RIVERS**—Absolutely.

**Mr HARDING**—Yes, because they are the independent assessors of all RISs and they are basically the ones who are driving this level of analysis. They are the ones who are pushing for—

**The CHAIR**—Is the VCEC doing enough to assist the departments? Does the Victorian Guide to Regulation need overhauling?

**Dr RIVERS**—Just to answer that question, I know the VCEC puts on workshops with the departments and is trying to create strong communication with departments. I am not sure that each and everybody and all policy makers—there are a barrage of new policy makers that get it, they understand it, and sometimes working with some of these policy-makers is a breath of fresh air. They are prepared, they have had things ready, they have thought about the problem. You go in, bang, it is done, once or twice to the VCEC, finished, job over, fantastic. It is some policy makers who may not be communicating necessarily, may not be aware of what the requirements are, being caught off guard, having sunseting legislation and

thinking about doing a RIS more as an afterthought as opposed to something that might guide decision-making. It is really a cultural issue here I think, that for some it is an afterthought, 'It's something I have to do.' For some it is really trying to be transparent and being at the heart of transparent decision-making.

**Mr HARDING**—In my experience the main problem here is not so much the policy officers, it is the middle management, their bosses. It is the policy officers that go to these courses and workshops and they understand RISs and whatever. It is the middle managers who think they understand it but they actually do not. They are often the people we have the most difficulty with. The next level up, the senior managers, are generally wise and experienced people and they know what is going on, but it is the middle managers we have problems with, probably because they do not go to these courses. They send the policy officer, they do not go themselves. That would be one of our recommendations that the middle managers should go to these courses as well.

**Dr RIVERS**—As well as the policy makers, yes.

**The CHAIR**—I am conscious we have got five minutes.

**Ms PENNICUIK**—I have been listening with a lot of interest, listening to what you were saying and I heard your submission and also what the Productivity Commission was saying about the two-stage process and in regards to Victoria's process, it is a sort of chicken and egg scenario here as to what process you get to to decide that it does not need very much more, that you have already gone through a process. It is difficult to actually work that out in terms of is it the million dollars, what is the impact on the community, is it a large impact or a small impact? You have already got to do a bit of investigatory work.

**Dr RIVERS**—Yes, you have to do that.

**Ms PENNICUIK**—Who does that work? I am thinking in practical terms where if the department is going to ask for a tender do they do that practical work first or do they get all the tenderers in and say, "What do we think?" Then you go away and get your tender. In terms of that practicality—

**Dr RIVERS**—If I am a government department and I am legislating in a particular area and I have control over this particular sector or this industry, one thing I should be collecting is data because if I do not understand the area that I am legislating then I do not know what I am doing in that business. Either know your business or get out of that business. If you know your business you understand the magnitude or the population affected, and that is going to be a key guide in terms of socioeconomic impact. If we are talking about 10 people affected versus 10,000 people affected versus 100,000 people affected, you are already getting to that understanding. That is something the department already should have, some idea of what the problem is and what sort of population is being affected. They need to come with a strong understanding to begin with. I would rely on that understanding.

Unfortunately, some of the times I would have to say they do not quite understand the magnitude of the problem. It is not necessarily up to the VCEC or the RIS consultant to tell them that this is the magnitude of the problem right off the bat. I mean, they are the people in the trenches in that particular issue, day in and day out. We implore the departments to identify these things carefully and that with that careful identification of their own business and what they think the impacts are in terms of the problem, then they can receive guidance from us and the VCEC, as I said, that preliminary meeting, to get some agreement or some idea of how much analysis needs to be done. I think it is not going to be reliant on the consultant or the VCEC or on the department but some model where you have the three sitting down, working together and helping each other out. I think that would be the best way.

**Mr HARDING**—Could I add something to that quickly. I have seen it done and it is quite possible that a consultant, such as ourselves, could be engaged to do a small project, this scoping project or developing the project brief. I have actually been engaged to do that for departments and I have done the scoping project and I have developed the brief and the tender documents for departments, a small project, then they put it out for tender and I have not tendered for it but I have been engaged to do it. You could not engage a consultant to do that scoping process for departments. Now, some departments might be able to do that themselves, they might have the expertise but most do not. Most do not have the expertise to do RISs, really.



**Ms PENNICUIK**—That is not really the two-stage process.

**Mr HARDING**—That is a pre-process.

**Ms PENNICUIK**—That is right, okay.

**Mr HARDING**—I am not sure I answered Mr Chairman's question about the two-stage process for Victoria, did I? You asked whether that would be a good idea for Victoria. I think the result is that it usually ends up as a better RIS than the consultation RIS because it has had that public input and you revise the data. It is a better RIS but it does cost more. It is a judgment call as to whether it is worth it. If Victoria is concerned about the cost of doing RISs, adding this extra stage is going to cost more.

**Ms PENNICUIK**—But what about further down—

**Mrs PEULICH**—On that point are you able to tell us, without divulging, obviously, your earnings, what would the average cost of a RIS be, the work that you provide as consultants?

**Mr HARDING**—Our main business competitor is actually in the room. I am happy to give that information in camera—

**Mrs PEULICH**—Okay.

**Mr HARDING**—In confidence, because we are bidding against each other.

**Mrs PEULICH**—I am just interested in finding out—and perhaps you can have a chat with Keir offline—of those 25 per cent projects that have not perhaps required a fully-fledged, comprehensive process, what level of savings we would be looking at in terms of costs of consultants.

**Mr HARDING**—Yes.

**Ms PENNICUIK**—Chair, I wanted to clarify that last point where you were saying the two-stage process might be more expensive but in the long run you were saying it is better. So is it actually more effective—

**Dr RIVERS**—When it goes out for public consultation it checks some of the assumptions. It checks the assumptions in terms of what the risks consultant has come up with, the VCEC themselves and the government department. At the end of the day this is a document that has multiple stakeholders contributing to it, and I have to say the VCEC is very useful in a lot of the times, the departments are very useful. It is a collaborative process. The two-stage process is nice because some of those assumptions get tested by the community, and you are getting some feedback coming through. However, may I suggest that rather than that stakeholder consultation occurring later, have that occurring at the time where people are not thinking of the legislation to begin with, having better stakeholder consultation at that point because that is also another way of doing it.

**Ms PENNICUIK**—It is a common complaint of the community that they do not know anything until the last minute.

**Dr RIVERS**—Correct.

**Mr HARDING**—The two-stage process would cost more, probably a third or more doing RIS. Whether it is worth it or not is a cost-benefit judgment that I have not done, so I cannot really express an opinion whether the extra costs are worth it or not.

**Dr RIVERS**—I was going to answer your question in terms of how much would you save. In some cases you would save—and I am going to be very open with this—100 per cent, 200 per cent and more, but unfortunately that cost is not being borne by the community or by the department or by the VCEC, it is

actually being borne at the consultant's own expense who is contractually obliged to remain within the amount specified in the contract. Sometimes you have to come to the party. That is a very unfortunate transaction cost and heavy cost of the process.

**The CHAIR**—Okay. I am conscious of the time. Dr Rivers and Mr Harding, thank you very much for your evidence. As I outlined, you will be provided with a copy of the transcript in the next couple of days or next week which we will then review the evidence provided. Thank you very much.

**Mr HARDING**—Thank you.

**Witnesses withdrew.**