

# CORRECTED VERSION

## STANDING COMMITTEE ON ENVIRONMENT AND PLANNING

### LEGISLATION COMMITTEE

#### **Inquiry into the regulatory impact statement process**

Melbourne — 12 June 2013

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Chair: Mr R. Dalla-Riva

Deputy Chair: Ms G. Tierney

#### Staff

Secretary: Mr K. Delaney

#### Witnesses

Mr M. Johnstone, acting deputy secretary, and

Mr A. Rossiter, acting assistant director, economic policy group, Department of Treasury and Finance;  
and

Dr M. Butlin, chair, and

Mr A. Walker, assistant director, regulation review, Victorian Competition and Efficiency Commission.

**The CHAIR** — I declare open the Legislative Council Environment and Planning Legislation Committee public hearing. The hearing is in relation to the inquiry into the regulatory impact statement process, and I welcome the four witnesses from DTF and from VCEC, who will outline who they are and where they are from.

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 in 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 with proof versions of the transcript in the next couple of days.

You will have a couple of minutes each for this session in terms of your introductory comments. I know we have already received correspondence and previous briefings beforehand, but to ensure that we have sufficient time I will ask that the opening comments be brief, and then we will get into asking some questions. Before we do that, can I perhaps just go through, starting from Mr Mark Johnstone, your positions and mailing addresses, and then we can go to the next one and through to Andrew Walker.

**Mr JOHNSTONE** — Sure. Mark Johnstone, acting deputy secretary, economic, in the Department of Treasury and Finance. My address is level 11, 1 Macarthur Street, East Melbourne.

**Mr ROSSITER** — Mr Anthony Rossiter, acting assistant director in the economic policy group. My mailing address is the same as Mr Mark Johnstone's.

**Dr BUTLIN** — Dr Matthew William Butlin. I am the chair of VCEC. My mailing address is level 37, 2 Lonsdale Street.

**Mr WALKER** — I am Andrew Walker, the assistant director for regulation review at VCEC, and my mailing address is the same as Matthew's.

**The CHAIR** — Thank you very much. How do we want to play this? Who has authority over whom here? This is interesting!

**Dr BUTLIN** — I think technically, Chair, this is an independent body.

**The CHAIR** — I know; that is why I asked the question!

**Dr BUTLIN** — Yes, I know. I appreciate the humour.

**Mr JOHNSTONE** — I can make a very brief comment on behalf of DTF. In relation to the Subordinate Legislation Act, the role of DTF is to give effect to the policy intent of the SLA in relation to the regulatory impact statement process and also related cabinet processes around business impact assessments as well. We provide policy advice and guidance to departments on meeting those requirements. The major vehicle we have for doing that is through the *Victorian Guide to Regulation*, but in addition to that we also, on an ad hoc basis if approached by departments, provide whatever advice they are seeking in terms of how they can meet the requirements, what the meaning of the particular policy settings are and those kinds of issues.

Our broader interest in regulation reform issues is really around ensuring that the current stock of regulation in Victoria is as efficient and effective as possible. One of the mechanisms through which that happens is through the sunseting process for regulations. Every 10 years a regulation sunsets, and in many cases regulatory impact statements are completed as part of that process. An additional interest of ours in that context is ensuring that all opportunities are taken to have a look at whether that regulation is actually continuing to meet the original objectives and also to look at whether there are adjustments to that regulation, which could reduce costs for both government but more particularly for business and the community.

Beyond that, we are also interested in new regulations — so, the flow of regulation — where, obviously, the regulatory impact statement process comes into play. We have the same kinds of interest in relation to that. We are also more broadly interested in how regulation is administered by the relevant authorities who are charged with that particular function. Along with VCEC, on both of these areas we work with departments and regulators to look at ways in which the cost of administering regulation can be reduced, which is both about the

cost to government of running those processes but also the cost to the community of meeting the kind of behaviour changes or objectives of that regulation.

**The CHAIR** — Thank you. I gather, Anthony, you are happy? All right. Dr Butlin?

**Dr BUTLIN** — I will be brief, Chair — just a few points I wanted to make. The purpose as we see it of the regulatory impact analysis is to assist government in deciding on the adoption of high-quality regulation in the interest of Victoria, having regard to the various stakeholders who have an interest in the regulation and the intent of government. I believe the evidence is reasonably clear that Victoria has a well-regarded system internationally and also domestically from the business council and the Productivity Commission. I might also mention to the committee that the VCEC regularly receives visits from a range of countries, mostly in our neighbourhood, who visit us as a matter of course in visiting other places in Australia, usually the Office of Best Practice Regulation, as being an exemplar, and we have undertaken some work with those agencies at a low level.

We think that the case for impact assessment in Victoria has a very strong business case. We did some work some years ago which was showing payback of the order of 25–50 to 1 in doing this work, and that varies between new regulation and sunseting regulation, but we believe the case is importantly made for doing this work well. Our role in this is as a watchdog, implementing the process — not as a body that is intended to do anything but that — to make sure that the process has been followed to a sufficiently high quality where the guidelines make it clear that it ought be undertaken.

This process, of course, is not costless, and there are swings and roundabouts on this. What is always on our mind at the end of the day is the importance and the public interest of the extent of the work and how well it is undertaken. To that end we tried to concentrate on a number of areas. We are conscious that there are opportunities to improve this process, at least in another environment. We undertook a public inquiry into Victoria's regulatory framework, and our views stand there as a matter of record. I have nothing to add to them on that. But the sorts of areas that we think are particularly important include proportionate analysis and early engagement with departments, particularly early in the process where policy is being considered so that the process of impact assessment can be integrated with the work of the policy. We try in our advice to be reasonably precise about where we think there are opportunities to improve and to comment on adequacy, and we engage in quite an extensive program of training. I am not quite sure how many people have been through it. I have been the chair for about four and a half years, and the program was well established before that time.

The final point I would like to make is that our experience has been that early discussion with departments is extremely important. I make a practice every year of sending out letters to every department head about the upcoming program of regulation of which we are aware, simply to ensure that at least at that level we play a part in drawing people's attention to it. I have a regular but infrequent program of liaison with departmental secretaries about this, of the order of once or twice a year. Our connection aims to go top to bottom. That is all I have to say.

**The CHAIR** — I think we might start with DTF first, given the presented evidence. There was the government response, as you are aware, to the VCEC recommendations in March 2012. Can you update the committee on the review of the VCEC recommendations about the BIA, in terms of recommendation 3.15; on 3.12, that the *Victorian Guide to Regulation* be amended to require that the executive summaries of RISs are accessible to non-specialist readers — which is an issue that we are hearing evidence about; on 3.13, that the thresholds for the RISs and BIAs be the same; and on 3.14, that grounds for exemption to BIAs be the same as for RISs and that the name 'BIA' be replaced with a more generic term, such as 'legislative impact assessment'. You may just want to give a bit of an overview; if you cannot, then maybe take it on notice, but it would be good to get an update of where things are at.

**Mr JOHNSTONE** — DTF is coordinating a process with the Department of Premier and Cabinet and other departments to work through the responses to those recommendations. At this point the Government has not made a decision on whether it will change any particular current settings in relation to those recommendations. I really cannot say a whole lot more than that at this point because they are still matters under consideration by Government.

I will speak on one of those points, in relation to the technical expertise required by readers of the *Victorian Guide to Regulation*, which has been raised by the last witness and also by others in this process. The growth in

the size of the *Victorian Guide to Regulation* has been noted. One of the things I would point out in relation to that is that for the most part the actual step-by-step process through which guidance is provided around how to complete a RIS or a BIA is fairly contained. We have worked through a couple of iterations trying to improve that guidance.

What you will find in the guide is a whole lot of broader guidance material about how a department may approach the issue of dealing with a problem that has been identified and whether a regulatory solution to it is appropriate or not. You will find a whole lot of guidance around that area and also a whole lot of guidance in relation to the kind of techniques that can be used in order to assess the costs and benefits, whether in monetary terms or other terms — techniques that departments can use. That can give an artificial impression that because of the size of the document it is a complex and difficult process to go through. I am not trying to diminish the fact that it can be a complex and technical exercise at times, but it also goes back to this issue of the role of consultants versus the departments in preparing these documents.

I am happy to answer any further questions on that particular issue. In general we try to revise the guide from time to time to make sure it is more accessible and readable, keeping in mind that we think the core parts of it can be read independently in terms of stepping you through a process and that there is a whole lot of supplementary information there that can be useful if you need it.

**The CHAIR** — Maybe the supplementary is becoming too prescriptive, as we are hearing from a range of witnesses, not necessarily just consultants. That goes to the point that was raised about the Rolls-Royce approach, that we have to analyse every proposal, which of course does drive up costs and drive up complexity. It does affect the chances of ordinary people, I guess you could say, understanding the process and therefore providing an input, where it becomes too complex. We heard the previous witness say that sometimes somebody who is a non-expert can give you the most fundamental reason why it should or should not proceed.

I just want to know how you see that weighing up, because it seems to be the greatest concern that the committee is hearing: the complexity of the process against the simplicity of the process. Do we go to a two-stage process? Is there some other compromise? Just for the record, we are seeing the Productivity Commission, the Office of Best Practice Regulation and the Centre for International Economics to get a broader view nationally. We are looking at it seriously. Perhaps with that discussion you could give the committee a bit of an understanding.

**Dr BUTLIN** — It is a really important dilemma. If I could go back perhaps to the point that personally, when I think about this, I find most helpful. The purpose, as I said, of doing impact assessment is to enable better informed decision making by the government of the day. The benefits from the RIS process come, I think, importantly in two areas. The first — and this is probably what people have experienced most — is the rigour with which options are looked at. Rigour can breed its own complexity and can get in the way of the second part, which is the consultation process externally.

We think that in broad terms much of the benefit that I have mentioned before from the RIS process is derived from the first part — that is, requiring good analysis, careful options assessment and so on. I am concerned that the RIS documents that go out to consultation with the public are as long as they are, and I think the answer in part is to be looking at a summation or a distillation of the issues. However, on the one hand, to oversimplify at the expense of the rigour of the first part that I was talking about I think presents a very important risk of losing some of the big benefits of the RIS process. I hope I have been clear.

**The CHAIR** — We have heard evidence that the RIS was distilled down to an executive summary and that the executive summary was so large that it was even brought down to a one-page or two-page summary of the summary, such was the extent.

**Dr BUTLIN** — In some cases, I can well imagine.

**The CHAIR** — Maybe there will be a summary of the summary of the executive summary at some point!

**Mr SCHEFFER** — During the last hearing we received a submission and presentation from Economists at Large. I do not have the transcript in front of me, but I am advised that it is on the public record. What I do have and I have looked through quickly is a summary, and with your indulgence — it is only a few words — I will run through a summary of the case that they put.

The Victorian Department of Sustainability and Environment requested and received change to the policy of the commonwealth Department of Sustainability, Environment, Water, Population and Communities on offsetting into the western grassland reserve in 2011 without public scrutiny. The Victorian Competition and Efficiency Commission decided not to examine the competitive neutrality implications of DSE's business activities that flowed from this change in policy. The way that DSE achieved this change in policy and the reasons of VCEC for its decision indicate weaknesses in the procedures and criteria used to determine whether and how the public can scrutinise the actions and decisions of some Victorian public service departments in relation to their policies and business activities. Economists at Large put the case that the RIS process does little to address such problems.

What I am asking you to do is not to respond to that now, but could you look at the transcript of the discussion — and their submission is also available — and provide us with a response to that so that when we deliberate on it we can have some perspective on the case that was put to us?

**Dr BUTLIN** — Yes, we will do that.

**Ms PENNICUIK** — Can I jump in and add to that? There were some questions taken on notice by Economists at Large, and they have supplied us with some documents.

**The CHAIR** — For ease of efficiency we will provide you with what they have provided and a copy of the transcript, rather than you having to drill through in trying to find it.

**Dr BUTLIN** — Thank you. Could I seek one point of clarification as to whether competitive neutrality is part of your deliberations or whether it is in relation to RIS? I will be guided by the answer, because I suspect there are a couple of things.

**The CHAIR** — I think it would be better if we provide it and then you perhaps look at that in terms of your assessment, rather than me off the cuff trying to work it out. I am happy for it to be provided and for you to respond.

**Dr BUTLIN** — Thank you, because I suspect there are a couple of things that are being brought together.

**Mr SCHEFFER** — Yes, I am sure. That is why I am asking you to go away and think about it, because we could not do it.

**Dr BUTLIN** — I appreciate the consideration.

**The CHAIR** — Your consideration should be in the terms of what we are looking at, if that gives clarity. There are multiple layers to this, and we are trying to get to where we are at.

**Dr BUTLIN** — We will do our best.

**Ms PENNICUIK** — On this particular issue, what you said at the end was that the process was not working. It may be, as you say, that your process — the VCEC process — is not the process that should oversee this. But from my point of view there is a problem with what occurred, so if it is not you that should be looking at it, perhaps you could advise us as to who it should be.

**Dr BUTLIN** — I take it that you would like a dispassionate and independent analysis of what has been said.

**The CHAIR** — Yes, and it is in the context, as I said, of us looking at the Office of Best Practice Regulation. It raises the issue, which I was not going to raise but I will raise in the context of what we are talking about, of where VCEC should sit as an independent statutory body, whether it should report directly to Parliament or whether it should sit within Treasury. That may be a political question that you may not wish to answer or respond to, but if we are looking at best practice, where do you see that? I know that DTF is there next to you, but you may have a different view.

**Dr BUTLIN** — If I may confine my remarks only to the question of independence versus placement within a line organisation, there are clearly a number of different models that exist and have existed. The VCEC model is modelled very closely on the Productivity Commission model as it existed in 2003 and 2004, at which time OBPR was part of the Productivity Commission. There are other models, including the Queensland Competition Authority, we believe — I think I am right, but I may be incorrect on that point — but the general

feedback we have is that stakeholders value the fact that VCEC is perceived as being independent and that the independent scrutiny is considered useful. I think that is all I would like to say on that point.

**Mr LEANE** — This might be more of a statement than a question, so feel free to treat it that way if you like. When VCEC kindly spent some time with us previously at the start of our reference and we had a discussion to assist us in going forward, it was mentioned that the Victorian regulatory system is, as you said before, well regarded and is actually a model that other jurisdictions are looking at and that some are embracing and some are considering to embrace. When it comes to the regulatory system and us looking at this reference, would one of the best recommendations we could make be for us to recommend not to muck around with it and to leave it the way it is?

**Dr BUTLIN** — I think I might call that a policy question and sidestep it. I would also, however, point out that our views are a matter of record as undertaken in the public inquiry. As I said before, I would leave them stand and note the fact that the government has heard that view and has taken a position on that.

**Mr LEANE** — To reinforce that early conversation and what you said today as far as this system being up there, that was reinforced overwhelmingly by the majority of witnesses we have had as well.

**Dr BUTLIN** — Thank you. I actually think it is in Victoria's interest, so that is good feedback.

**Mr ELSBURY** — In relation to some of the evidence we have already heard, if my memory serves me correctly and the scratchings on my page are correct, there was some suggestion of using DTF as a bit of a clearing house for some departments that do not have the expertise in place for RIS to be developed. How would DTF feel about being utilised in this way, considering we have actually also heard that there was a very large need for consultants to be brought in on such projects?

**Mr JOHNSTONE** — The short answer to that is that DTF already does that, and we are quite willing to do it. We are not extensively consulted by departments, but quite frequently we get queries like, 'Should we do a RIS for this? If we are going to do a RIS, what are the things we need to think about?'. Generally speaking we will refer people to the advice that is available, but we are very willing to work closely with them. When we get those kinds of approaches, we also encourage people to talk early on with VCEC as well, because VCEC is in a position to also provide a whole lot of quality advice based upon their previous experience. They review and assess RISs all the time and therefore have built up significant expertise to be able to advise departments early on in the process, as Matthew indicated earlier.

In terms of the expertise within DTF, we have people who have worked in the regulation space broadly for some time. We have turnover, as everybody does. I think the role we can play is to point people in the right direction, given the experience we have in interacting with VCEC and departments. On a general basis we are well placed — if we cannot answer a query, we can point people in the right direction. One of the difficulties faced by people who are attempting to do RISs is that they may only do one in their whole career in the public service. There are some areas which do RISs a lot of the time, so if you are in that situation where you are doing one for the first time, confronting a document like the *Victorian Guide to Regulation*, as we have already discussed, can be daunting, so we try to be as available as we can to guide them through that process step by step.

We work directly with key contacts in each department that we have a relationship with, who can also act as brokers between us and the relevant part of the department as well. It is important that there is a kind of general network of expertise across government, and that has been developed over time.

**Mr ELSBURY** — Do you also provide assistance to the consultants who may need a bit of a beacon of hope at some stage if they are not quite getting where they need to be at any given moment when doing a RIS statement?

**Mr JOHNSTONE** — There are limited occasions when we get involved with consultants, and that is at the behest of departments, generally, rather than consultants directly. Clearly VCEC has a lot of engagement as well. From time to time we will engage with consultants, but generally it is with departmental people.

**The CHAIR** — This is a broad statement, but I am seeking an answer as to the breakdown, because we seem to get conflicting evidence. Some departments say they need consultants because they do not have the resources. They do not utilise DTF or may be unaware of it. You have consultants who say that departments do

not necessarily have the capacity. As I indicated earlier, the *Victorian Guide to Regulation* has grown from 20 pages in the 1990s to 95 pages, plus 114 pages of appendices. We have seen evidence from Deloitte Access Economics that is critical. It called some RISs overly academic, very technical and unsuitable for consultation purposes, and as I said, we have heard similar views.

The process we are going through is to try to find a solution to what is clearly a confusing process, and those who are in it admit it is a very complex process, but equally it is an important process. Where do we get that sort of balance right with the regulator, with the department which has primary responsibility for it and with a committee that has been charged by the government to look at this?

**Mr JOHNSTONE** — I think it is important to make a distinction firstly between the complexity or otherwise of that guidance material and how that translates into the actual regulatory impact statement. Sometimes RISs are made overly complex because of expectations around what they need to contain. The broader point about the capacity of departments to undertake these activities or the overall reliance on consultants to undertake them is an important one, but there are certain aspects of a RIS which I think cannot really be outsourced to a consultant. When you think about what a RIS is trying to do, it is basically saying, ‘We think there is a problem we have to address in some way’. Generally speaking, a consultant cannot tell you whether it is a problem or not.

The department needs to make a determination about what the problem is. Maybe they need some assistance from time to time to explore some of the aspects of it, but the questions are, ‘What is the problem that needs to be addressed here?’, and ‘What are some of the policy solutions available?’. One of them might be a regulatory response, and if you want to have a regulatory response, what are the different options that are available in terms of that regulatory response? From my point of view that is something which is a core competency of a government department; it is a basic policy advisory function of a government department.

The more technical aspects of a RIS are around cost-benefit analysis or, depending upon the availability of data, other techniques to demonstrate what the costs and benefits, tangible and intangible, are of a particular approach, and they may require some external expertise. I think that is where consultants can play a very important part. The question then is: if you look at the cost of departments doing parts of the work versus the cost of consultants doing part or all of the work, how does that all measure up and what is going to give you the best outcome? But consultants cannot do a good job unless they understand from the department what the problem is that they are trying to solve and what it has thought about in terms of the potential solutions. They can play a role in maybe fleshing some of that out, but there are some core things which I think need to be retained within a department. I think departments are resourced well enough to perform those functions, and there may be capability issues that need to be addressed, but they should be able to be addressed within their existing resource framework.

**The CHAIR** — Dr Butlin, do you have any — —?

**Dr BUTLIN** — I am busily jotting down five points. Sorry, I agree with my Treasury colleague in the broad. In reflecting on this, there are probably four comments, actually, as I think about it. One is, I think, encouraging early engagement around issues of regulation. To make the point very simply, within the first two weeks of my becoming chair of VCEC I sat with a department head who pointed out to me that she had just received a 300-page RIS. I was two weeks into the job, I was in that stage where you could say, ‘Well, I’m sorry. I don’t know why that’s happened, but I’ll undertake to find out’. One of the things that we established in that was that in fact the secretary and probably some of the senior people did not see this until the last minute, so setting up the scope of the job early and understanding what has to be done is built around early engagement.

That goes directly to Mark’s point about owning a problem, the policy problem, and understanding where the capability gaps are in the department in order to get a reasonable basis of the work. That is the second point — deciding where the capability gaps are and deciding whether you can do it yourself or you need to buy the expertise.

I do not think I would step back about the importance of rigorous analysis, but I do think it is important that it is proportionate to the piece of work that is being done. The more complex pieces really do require some go-through, but some sensible triaging I think would be a good idea, and clearly that point is recognised in the thresholds currently.

The fourth thing I think is then having done all that — and I would suggest almost certainly having gotten the benefit of the rigour in the process in terms of better options being identified, so a lot of the benefit that we have identified in our assessment of the business case for RIS — taking the final step of looking at this as a communication document and distilling it down to hopefully a couple of pages or three pages, but something that can then be used to go and consult and get the further benefit of what the stakeholder reaction is to what is being proposed. I think those would be orderly. I think they are the main leverage points.

**The CHAIR** — One final question — do you have a central agency that deals with RISs on a more professional basis than just what appears to be a known-unknown or an unknown-known? It appears to be that departments are either unaware or unsure. If they are aware, they are not utilising it, and therefore are instructing external consultants, who are then struggling. Could it be as simple as perhaps bringing it within the scope of DTF, that it becomes a requirement of all RISs to go through DTF?

**Mr JOHNSTONE** — The capability and the resourcing level to do that does not exist in DTF at the moment. There are people who are experienced in reviewing the relevant documents and providing advice on them, less so than in preparing them. I think a combination of the role we play and the role that VCEC plays can lead to a better outcome for departments who actually seek that advice, and I accept that there may be more that we can do to advertise that service, if you like. I think that is certainly something we should take on board. It is clearly the case that people in departments who do RISs all the time are very familiar with the process, familiar with us, familiar with VCEC. It is the people who are encountering this very irregularly who are probably the major concern here. So we can do more to get out and make sure that people are aware of the kind of service we can provide to them, certainly.

**Dr BUTLIN** — Chair, if I may add to that, in a similar vein, one of the outcomes of that earlier-mentioned conversation with the secretary was a briefing session with the top executive team about the RIS process and engaging with VCEC in relation to the RISs and subsequently some meetings with their executive in the planning processes. This we think — bear in mind we are not entirely objective on this — led to better outcomes over a number of years and the particular department in question now more routinely engages with us early and has reasonably straightforward processes. A lot of it is actually understanding and demystifying the process for many people, which I think may be your knowns and unknowns. But at the end of the day, when there are some tough pieces of analysis to be undertaken you do need the expertise and you either buy it or you own it.

**Ms TIERNEY** — Can I ask what sort of resources are required for that to happen so that departments can properly engage in the process?

**Dr BUTLIN** — There is a certain amount of shoe leather, basically getting around and talking to people, and that is certainly what we try to do at all levels of VCEC, and I have mentioned some of the things that I do personally. I find little if any resistance at secretary level when these things are being discussed. I think it gets down to the next level of engagement, particularly in the middle, which I suspect is important to better tasking around the RIS process and the early engagement. One of the best things that senior people can offer here is to say that the problem is not ‘this big’, it is actually ‘this big’, and that is what we need to deal with so that we do not conflate a whole lot of other things in the process.

**Mr ELSBURY** — Do you think that demystifying is that people do not fully appreciate the narrow scope they need to think about when they are developing a RIS, or the broad scope? They do not know quite how wide they have to look outside of what they are doing.

**Dr BUTLIN** — Look, Mr Elsbury, I think that is part of it. I do think that there is a compliance issue where, on occasion and perhaps too often, doing the RIS process is seen as a compliance exercise rather than something that is properly part of a policy development process.

**Mr ELSBURY** — So, rather than it being a communications package, as you have suggested in the past, it becomes the be-all and end-all document of why this regulation must go through?

**Dr BUTLIN** — It can be, and we try to avoid that, because it is in no-one’s interest to consume resources —

**Mr ELSBURY** — Hence 300 pages.



**Dr BUTLIN** — We have four or five people I think in VCEC who do this work, and there are lots of other things that we could usefully contribute where we see that sort of activity. So, that is one of the things that we do try to encourage — that is, a proportionate approach.

**The CHAIR** — I have two final questions for VCEC. A number of witnesses have suggested a two-stage RIS process to improve community involvement in the process. Do you see any drawbacks to this?

**Dr BUTLIN** — Chair, I would basically go back to our views that were set out in the inquiry report. We saw some benefit in a qualified two-step process.

**Mr JOHNSTONE** — I think the key from our point of view really comes from asking the question: what is the major benefit arising from the first stage of the process? It is really about the consultation. From our perspective within the current system — even leaving aside whether two-stage is the right way to go — there is scope to improve the consultation process. It may be that by doing that you avoid the need for adopting a different approach, which can potentially be confusing for people.

I suppose the other point about it is in those systems where you do have a two-stage process, it still comes down to the quality of the document that you are producing. Is the fact that it is a two-stage process giving you a better document? I do not think it is a guarantee.

**The CHAIR** — Also for VCEC, I need to have the updated data for the full 2012–13 financial year, if I may. We may write to you as well, just for the record.

**Dr BUTLIN** — We will take that on notice.

**The CHAIR** — I will write to you to ensure that. Thank you very much. Anthony, is there anything you wish to add? I feel as though you have been out of it.

**Mr ROSSITER** — I would just like to suggest that the current way that the *Victorian Guide to Regulation* works forms the basis of framing a good way to think about policy in terms of what has been described by the other witnesses: identifying the problem; thinking about how you can solve it in terms of regulatory or non-regulatory options; then going and assessing those options against some objective criteria, whether that is through cost-benefit analyses or other means, as Mark has said; and then coming to a view as to what the preferred option is. I suggest that would be a fairly standard process for thinking about the problem and thinking about who would actually be affected by change, how much they would be affected, what offsetting benefits or costs there might be, whether there are benefits that are easily quantified and whether there are things that are difficult to quantify.

As an economist who is currently doing a PhD in econometrics, I am aware that there are certain things that you cannot push. You can only push certain data and information so far; you cannot actually say that someone must do an economic model or you must do it this way. There are always other ways to consider.

**Mr WALKER** — I only have a couple of minor things to add. Part of the way that we in the reviews team, if you like, see our role is about providing advice and support. It is about being solution focused and therefore helping people develop ways to improve the analysis that is consistent with the proportionality principle that Matt spoke about earlier, but also echoing Anthony's point about feasibility. It would be nice to think that you could do high-quality analysis and there was data available for everything, but that is simply not going to be the case.

There are degrees of judgement around that, and I think a key part of our role is to try and understand what is feasible and what is not, and what is proportionate and what is not. Then we discuss that and have that tested with departments and consultants, where that is appropriate, to try to get to that sort of proportionate approach that aids better decision-making without being unnecessarily burdensome or costly. That is how we see our role; we try to focus on adding value in that way. We do that by providing advice, support and training. I am sure that there are opportunities to do better, but that is the way we see our role in improving analysis.

**The CHAIR** — Any last comments?

**Dr BUTLIN** — No, thank you.

**The CHAIR** — Thank you very much. As I have indicated, all evidence has been recorded. You will be provided with a version of the transcript in the next couple of days. Once it has been checked off by yourselves, it will be on the public record. It will be part of our consideration for the review, and it will form part of our considerations. Thank you very much.

**Committee adjourned.**