



Victorian
Competition & Efficiency
Commission

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30 August 2013

Mr Keir Delaney
Secretary
Standing Committee on Environment and Planning
Legislative Council
Parliament House
EAST MELBOURNE VIC 3002

Dear Mr Delaney

INQUIRY INTO THE REGULATORY IMPACT STATEMENT PROCESS

Thank you for your letter of 14 June 2013 seeking the views of the Victorian Competition and Efficiency Commission (VCEC) on issues raised by members of the Standing Committee on Environment and Planning (the Committee) relating to the submission from Economists at Large. I am replying to the query in my capacity as Chair of VCEC.

Wildlife (Game) Regulations Regulatory Impact Statement

Economists at Large expressed a concern that the regulatory impact statement (RIS) prepared for the Wildlife (Game) Regulations used expenditure by hunters as a measure of the benefits of the proposed regulations and that the VCEC assessed the RIS as 'adequate'.

The VCEC agrees that expenditure by hunters is not an appropriate measure of the benefits of regulation to enable hunting to be undertaken in Victoria. However, as a monetised cost-benefit analysis was not undertaken in analysing the proposed regulations, this point is not relevant to the methodology applied by the relevant department.

While cost-benefit analysis is a required element of regulatory impact analysis, there are a range of different approaches that can be used where a monetised cost-benefit analysis is not considered feasible. Given the challenges in accurately valuing the benefits of wildlife game hunting, the department chose to use a multi-criteria analysis to analyse the impacts of different regulatory options and to establish the Government's preferred option (see, for example, pp. 55-68 of the RIS).

The VCEC's advice that the RIS was adequate means that, in its view, the requirements of section 10 of the Subordinate Legislation Act have been met. Stakeholders then have an opportunity to test the information and judgements in the RIS and provide additional information, such as the research identified in the Economists at Large submission, on the impacts of different options for consideration by the Government following the consultation process.

Competitive Neutrality Policy and native vegetation offset credits

Economists at Large raised issues regarding the application of Competitive Neutrality (CN) Policy to the sale of native vegetation offset credits and the VCEC's decision not to investigate a complaint against the then Department of Sustainability and Environment (DSE). The VCEC's role in respect of CN Policy is separate and distinct from its role in advising on the adequacy of the analysis in BIAs and RISs.

The CN Policy requires that government entities undertaking 'significant business activities' should implement appropriate CN measures (including fully cost reflective pricing) where the benefits are greater than the costs of doing so, unless there are public interest reasons for not doing so. The VCEC is responsible for achieving awareness of the CN Policy and investigating complaints against significant government business activities.

In deciding whether to accept a complaint for investigation, the VCEC applies the tests in the CN Policy and related documents, including whether the activity is a 'significant business' within the meaning of the CN Policy and whether there is evidence of non-compliance with the CN Policy. The VCEC also considers whether there are other relevant circumstances that may influence whether an investigation is warranted.

In the case raised by Economists at Large, the VCEC considered a complaint against DSE regarding the sale of native vegetation offset credits outside the urban growth boundary, including discussing the relevant issues with the complainant and DSE, and undertaking VCEC's own research. The VCEC concluded that this activity was not a 'significant business activity' and was therefore outside the scope of the CN Policy; accordingly the VCEC was not able to accept the complaint for investigation.

In reaching this conclusion, the VCEC noted that DSE had entered into one transaction for the sale of native vegetation offset credits outside the urban growth boundary at the date of the complaint; DSE further advised that future sales of offsets were likely to be limited. The VCEC also noted that the Government was considering reforms to native vegetation arrangements that would likely substantively affect the native vegetation offset market in the future.

However, should there be further sales of native vegetation offset credits in the future, then the activity may meet the test of being a 'significant business' and be subject to CN Policy. Accordingly, the VCEC wrote to DSE advising them to periodically review the 'significant business' status of this activity and, as necessary, to apply relevant CN measures.

Data Request

Your letter also requested additional data from the VCEC on the costs of the regulatory impact statement process in Victoria. This information will be available when the VCEC's 2012-13 annual report is completed and published. The VCEC will be happy to provide this information to the Committee at that time.

If you have any questions on the above or if the VCEC can be of further assistance to the Committee, please contact me by telephone (9092 5800) or email (matthew.butlin@vcec.vic.gov.au).

Yours sincerely



Dr Matthew Butlin

Chair

Victorian Competition and Efficiency Commission