Consumer Affairs Victoria

Standard Cost Model measurement of the administrative burden of the Conveyancers Act 2006

17 February 2009
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Statement of responsibility

This Report was prepared for the Consumer Affairs Victoria as set out in our engagement letter dated 12 September 2008. The methodology adopted for this costing exercise is consistent with the requirements of the Victorian Standard Cost Model, as outlined in the Victorian Guide to Regulation, and is a non-statistically significant estimate of the administrative burden.

An update to the Report was prepared in February 2009, to maintain consistency with Department of Treasury and Finance costing methodology.

In preparing this Report we have relied on the accuracy and completeness of the information provided to us by the Consumer Affairs Victoria, information collected through interviews with conveyancers and from publicly available sources. We have not audited or otherwise verified the accuracy or completeness of the information. We have not contemplated the requirements or circumstances of any one other than the Consumer Affairs Victoria.

The information contained in this Report is general in nature and is not intended to be applied to anyone’s particular circumstances. This Report may not be sufficient or appropriate for your purposes. It may not address or reflect matters in which you may be interested or which may be material to you.

Events may have occurred since we prepared this Report which may impact on it and its conclusions.

We do not accept or assume any responsibility to anyone other than Consumer Affairs Victoria in respect of our work or this Report.

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1 Introduction

The introduction of the *Conveyancers Act 2006* (the Act) has required Victorian conveyancers to comply with a range of licensing requirements and professional standards.

In order to assess the impact of this legislation, the burden of administrative activities associated with the Act has been estimated, and the outcomes of this Standard Cost Model measurement are provided in Table 2.1 below.

1.1 Summary

It is estimated that the total additional administrative burden imposed by the Act will, over ten years, average approximately $284,748 annually in 2008 dollars.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Initial</th>
<th>Next ten years</th>
</tr>
</thead>
<tbody>
<tr>
<td>License application</td>
<td>44,980</td>
<td>72,240</td>
</tr>
<tr>
<td>Completing annual statement</td>
<td>-</td>
<td>167,418</td>
</tr>
<tr>
<td>Maintaining records for and annual audit of trust accounts</td>
<td>-</td>
<td>3,228,988</td>
</tr>
<tr>
<td>CAV inspection of conveyancer</td>
<td>-</td>
<td>79,285</td>
</tr>
<tr>
<td>Other burden</td>
<td>-</td>
<td>139,085</td>
</tr>
<tr>
<td>Total</td>
<td>44,980</td>
<td>3,547,931</td>
</tr>
<tr>
<td><strong>Net Present Value</strong></td>
<td>44,980</td>
<td>2,802,496</td>
</tr>
</tbody>
</table>

**Regulatory burden per annum (NPV)**: 284,748

**Regulatory burden per annum (SCM figure)**: 359,291

Over ten years, the total administrative burden is estimated to be approximately $2,847,476 in present value terms. This comprises approximately $44,980 in initial off costs to businesses, and $2,802,496 over ten years in ongoing costs.

The relevant annual figure for the SCM report is the total of the first ten years burden (including the initial burden) divided by the number of years (10).\(^1\) This annual figure is estimated to be equal to $359,291.

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\(^1\) Department of Treasury and Finance (Vic.) – Better Regulation Unit, Guidance Note: *Reporting an annual figure in SCM measurements of uneven changes in administrative burden*, 7 April 2008.

1.2 Conveyancers Act 2006

The *Conveyancers Act 2006* is intended:

1) to protect the interests of consumers of conveyancing services by regulating the carrying out of conveyancing work by persons other than Australian legal practitioners
2) to repeal Part 7.1 of the Legal Profession Act 2004
3) to make consequential amendments to other Acts.

Under the Act, *conveyancing work* means:

1) legal work carried out in connection with any transaction that creates, varies, transfers, conveys or extinguishes a legal or equitable interest in any real or personal property, such as, for example, any of the following transactions—
   a. the sale of a freehold interest in land;
   b. the creation, sale or assignment of a leasehold interest in land;
   c. the grant of a mortgage or other charge.
2) Without limiting subsection (1), conveyancing work includes—
   a. legal work involved in preparing any document (such as an agreement, conveyance, transfer, lease or mortgage) that is necessary to give effect to a transaction of a kind referred to in subsection (1)
   b. legal work (such as the giving of advice or the preparation, perusal, exchange or registration of documents) that is consequential or ancillary to a transaction of a kind referred to in subsection (1)
   c. any other legal work that is prescribed by the regulations as constituting conveyancing work for the purposes of this Act.

1.3 This report

This report sets out:

- the policy context for measuring regulatory burden
- an overview of the estimated administrative burden associated with the introduction of the *Conveyancers Act 2006*
- an outline of the Standard Cost Model measurement process used to develop this cost estimate.
2 Background

This estimate of the regulatory impact on conveyancing businesses from the changes to the Conveyancers Act 2006 has been undertaken in the context of the Victorian Government policy to improve the efficiency of regulation.

2.1 Reducing the Regulatory Burden

Under the Reducing the Regulatory Burden initiative, the Victorian Government made a commitment to cut the existing administrative burden of regulation by 15 per cent over three years and 25 per cent over five years.

In order to achieve this, it has undertaken to ensure that the administrative burden of any new regulation is met by an ‘offsetting simplification’ in the same or a related area. The RRB initiative encompasses any requirement imposed on businesses and the not-for-profit sector under state legislation.

The Victorian Guide to Regulation also notes that,

*Because small firms typically lack economies of scale and bargaining power, they face disproportionately higher costs of complying with most forms of government regulation compared with their larger counterparts. Thus, to ensure that government regulation does not unduly impact on business productivity and growth in Victoria, particular emphasis needs to be given to how proposed measures will affect small business.*

This should be considered when assessing the impact of regulation on sectors with a high proportion of small businesses.

2.2 Consumer Affairs RRB initiative

Consumer Affairs Victoria is leading the Department of Justice’s response to the Reducing the Regulatory Burden (RRB) initiative. In 2006-2007, CAV reduced significant regulatory burdens associated with motor car dealings book were removed, saving industry more than $7 million per annum.

In 2008, as part of the initiative, CAV have been creating an online system for occupational licence applications, to replace their paper-based system. The new system allows applicants to complete and submit their licence application forms online. Pop-down menus make it easier to complete the forms, which skip to the correct next question based on an applicant’s response. This makes the process of applying for a licence quicker, more accurate, and less likely to be delayed by incomplete information being submitted. It will also speed up approval times. Some of the occupations that will use the new system include travel agents, real estate agents, motor car traders and second-hand dealers. CAV expect it to be available for all licensed occupations they administer by December 2008.

2.3 Standard Cost Model

Progress towards achieving targeted reductions in administrative burdens is measured using the Victorian Standard Cost Model (Appendix F in the Victorian Guide to Regulation). The Standard Cost Model was developed by the Dutch Government to provide a consistent method for estimating the administrative costs imposed on business by government.

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The focus of an SCM measurement is on the incremental, ongoing administrative burden from the perspective of regulated organisations. The Standard Cost Model is designed to produce indicative estimates of burdens, and to develop a strong understanding of the drivers of these costs. The purpose of the SCM measurement and standardisation process is to determine the costs incurred by a ‘normally efficient business’ in meeting its information obligations. The SCM is not designed to provide statistically robust data.

The SCM measurement in this report provides an estimate of the change in administrative burden as a result of the implementation of the *Conveyancers Act 2006*. The measurement exercise has been conducted in accordance with the SCM requirements.
3 Overview of the burden

This section provides an overview of the impact on Victorian conveyancers resulting from the introduction of the Act.

While the additional activities required under the new legislation increase the administrative burden, on balance most interview respondents were supportive of the Act and did not feel this burden was unduly high.

3.1 Implementation of the Act

The Act applies to conveyancing businesses in Victoria from July 1\textsuperscript{st} 2008. Under the legislation:

- conveyancers must be covered by professional indemnity insurance up to the value of $1.5 million
- conveyancers must be licensed,\textsuperscript{3} with eligibility based on academic qualifications and at least 12 months conveyancing experience
- there are prescribed processes for carrying on conveyancing work including handling clients’ money, managing a conveyancing business, disclosing information to clients and keeping records
- there are rules of professional conduct for conveyancing work.

The requirements listed above give rise to the following information obligations and administrative activities:

- completing the initial license application and subsequent annual statements
- preparing documents and records for annual trust account auditing (where the conveyancer chooses to operate a trust)
- preparing documents for and complying with CAV inspection
- complying with record storage requirements.

Applicants for a license awaiting the Business Licensing Authority’s (BLA’s) determination of their application, as well as persons granted a provisional license by the BLA, can only undertake conveyancing work as it was defined by the \textit{Legal Profession Act 2004} immediately before 1 July 2008.\textsuperscript{4}

3.2 Impacts

The vast majority of businesses interviewed were supportive of the legislative changes and believed they would be good for the industry. The new information obligations under the Act imply an increased administrative burden on businesses, and the size of this regulatory burden has been estimated in the tables below.

\textsuperscript{3} Unless they are an Australian Legal Practitioner or Incorporated Legal Practice.

\textsuperscript{4} Between 1 July 2008 and 30 September 2008, transitional arrangements provided that applicants who had carried on business as a conveyancer immediately before 1 July 2008 AND lodged an application with the BLA for a licence (either provisional or unrestricted/full) BEFORE 30 September 2008, could continue to carry on business as a conveyancer until such time as the BLA determined the application.

The burden has been calculated for the initial impact and the ongoing impact over the next ten years. The initial impact consists only of the burden of obtaining an initial licence, while the ongoing burden measures future licensing activities and ongoing compliance activities. There is a considerable amount of future licensing activity, mainly as a result of provisional license holders being required to reapply for a full license within five years (see section 4.2.3).

To reflect the fact that people prefer to receive benefits as early as possible and pay for the costs as late as possible⁵ the costs associated with the administrative burden have been discounted by a real rate of 3.5 per cent per annum, providing the Net Present Value in 2008 dollars.⁶

Further, and in accordance with Department of Treasury and Finance guidance notes⁷ the relevant annual figure for the SCM report is calculated as the average of the regulatory burden incurred over the next ten years, including the initial burden.

Small conveyancing businesses have been considered separately from medium/large businesses, in order to reflect differences in the operations of those businesses and the way that the legislative changes will affect them. The Australian Institute of Conveyancers estimates that approximately 80 per cent of Victorian conveyancing businesses should be considered ‘small’, while the remainder are medium or large.

Table 3.1: Initial and ongoing burden to small conveyancing businesses

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>BURDEN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial</td>
</tr>
<tr>
<td>Initial licence application</td>
<td>$31,952</td>
</tr>
<tr>
<td>Completing annual statement</td>
<td>$136,815</td>
</tr>
<tr>
<td>Maintaining records for &amp; annual audit of trust accounts</td>
<td>$1,513,956</td>
</tr>
<tr>
<td>CAV inspection of conveyancer</td>
<td></td>
</tr>
<tr>
<td>- Preparing for inspection</td>
<td>-</td>
</tr>
<tr>
<td>- Complying with inspection</td>
<td>$63,428</td>
</tr>
<tr>
<td>Transaction record storage</td>
<td>-</td>
</tr>
<tr>
<td>Other burden</td>
<td>$111,268</td>
</tr>
<tr>
<td>Total</td>
<td>$31,952</td>
</tr>
<tr>
<td>Net Present Value</td>
<td>$31,952</td>
</tr>
</tbody>
</table>

| Regulatory burden per annum (NPV)               | $143,050         |
| Regulatory burden per annum (SCM figure)        | $180,166         |

⁵ *Victorian Guide to Regulation* (page C-4).
⁷ Department of Treasury and Finance (Vic.) – Better Regulation Unit, Guidance Note: *Reporting an annual figure in SCM measurements of uneven changes in administrative burden*, 7 April 2008.

Table 3.1 (above) shows that the changes to the Act will increase the regulatory burden on small conveyancing businesses, which make up an estimated 80 per cent of all conveyancing businesses by $31,952 initially and by $1,769,711 over the following ten years. The Net Present Value of these costs is $1,430,495.

The relevant annual figure for the SCM report is $180,166.

Table 3.2: Initial and ongoing burden to medium-large conveyancing businesses

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>BURDEN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial</td>
</tr>
<tr>
<td>Initial licence application</td>
<td>13,028</td>
</tr>
<tr>
<td>Completing annual statement</td>
<td></td>
</tr>
<tr>
<td>Maintaining records for &amp; annual audit of trust accounts</td>
<td>1,715,032</td>
</tr>
<tr>
<td>CAV inspection of conveyancer</td>
<td></td>
</tr>
<tr>
<td>- Preparing for inspection</td>
<td></td>
</tr>
<tr>
<td>- Complying with inspection</td>
<td></td>
</tr>
<tr>
<td>Transaction record storage</td>
<td></td>
</tr>
<tr>
<td>Other burden</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>13,028</td>
</tr>
<tr>
<td><strong>Net Present Value</strong></td>
<td><strong>13,028</strong></td>
</tr>
</tbody>
</table>

| **Regulatory burden per annum (NPV)**         | **141,698**  |
| **Regulatory burden per annum (SCM figure)**  | **179,125**  |

Table 3.2 shows that the changes to the Act will increase the regulatory burden on medium/large conveyancing businesses, which make up the remaining 20 per cent of all conveyancing businesses by $13,028 initially and by $1,778,220 over the following ten years. The Net Present Value of these costs is $1,416,980.

The relevant annual figure for the SCM report is $179,125

Table 3.3: Initial and ongoing burden to all conveyancing businesses

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>BURDEN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial</td>
</tr>
<tr>
<td>Initial licence application</td>
<td>44,980</td>
</tr>
<tr>
<td>Completing annual statement</td>
<td>-</td>
</tr>
<tr>
<td>Maintaining records for &amp; annual audit of trust accounts</td>
<td>-</td>
</tr>
<tr>
<td>CAV inspection of conveyancer</td>
<td>-</td>
</tr>
<tr>
<td>- Preparing for inspection</td>
<td>-</td>
</tr>
<tr>
<td>- Complying with inspection</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 3.3 aggregates the amounts in the two preceding tables. It shows that the changes to the Act will increase the regulatory burden on conveyancing businesses, by $44,980 initially and by $3,547,931 over the following ten years. The Net Present Value of these costs is $2,847,476.

The relevant annual figure for the SCM report is $395,291.

**Trust accounts**

The majority of the increase in burden comes from the maintenance of trust accounts and the required annual audit of those accounts. The calculations are sensitive to estimations about the number of conveyancers choosing to operate these accounts. These estimations were provided by CAV and are explained in Section 4 of this report.

The new legislation imposes additional requirements on conveyancers who operate trust accounts. It is not a requirement of the legislation that all conveyancers operate these accounts and the decision to do so will be made by individual conveyancing businesses.

The decision to operate a trust account will incur an additional administrative burden, which should, and has, been included in the SCM measurement. However it is reasonable to assume that businesses operating trust accounts perceive a benefit from doing so that is greater than the costs incurred. This benefit is not in the form of reduced administrative burden, and is therefore not captured in the SCM measurement.
4 Summary of SCM measurement exercise

This section sets out the assumptions which have been used to develop quantified estimates of the administrative burden imposed on conveyancers through the introduction of the Act.

4.1 Standard Cost Model calculation

The basic Standard Cost Model formula comprises four key cost parameters, as illustrated below.

<table>
<thead>
<tr>
<th>Standard Cost Model Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Cost = Price x Quantity</td>
</tr>
<tr>
<td>= (tariff x time) x (population x frequency)</td>
</tr>
</tbody>
</table>

For each activity the tariff, time, population and frequency has been estimated through a combination of actual data and estimates provided through the interview process. Sections 4.2 and 4.3 describe this process in more detail.

This measurement exercise has considered the costs associated with four sets of activity required to comply with the Act:

- completing the initial licence application and subsequent annual statements
- preparing documents and records for annual trust account auditing
- preparing documents for and complying with CAV inspection
- complying with record storage requirements.

Tables 5.1 and 5.2 below set out the cost parameters used in the SCM calculation of the administrative burden to individual small and medium-large conveyancing businesses associated with the new requirements.

The tables are provided for illustrative purposes only, as whether individual businesses actually incur these costs will be dependant on a range of factors, such as whether they are subject to a CAV audit or whether they choose to operate trust accounts.

Year 1 costs are provided as the population affected by these costs will vary over the ten year forecast period according to the assumptions outlined in section five of this report.
Table 4.1: Summary of SCM cost parameters for a small conveyancing business

<table>
<thead>
<tr>
<th></th>
<th>Total burden per annum (Year 1)</th>
<th>Time burden (incl. in total burden)</th>
<th>Population affected (Year 1)</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial licence application</td>
<td>$99</td>
<td>105 mins</td>
<td>322</td>
<td>One off</td>
</tr>
<tr>
<td>Completing annual statement</td>
<td>$31</td>
<td>33 mins</td>
<td>322</td>
<td>Annual</td>
</tr>
<tr>
<td>Maintaining records for &amp; annual audit of trust accounts</td>
<td>$3,518</td>
<td>2,880 mins</td>
<td>6</td>
<td>Annual</td>
</tr>
<tr>
<td>CAV inspection of conveyancer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Complying with inspection</td>
<td>$227</td>
<td>240 mins</td>
<td>28</td>
<td>Irregular</td>
</tr>
<tr>
<td>Transaction record storage</td>
<td>0</td>
<td>0</td>
<td>322</td>
<td>NA</td>
</tr>
<tr>
<td>Other burden</td>
<td>Various, see Table 5.6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.2: Summary of SCM cost parameters for a medium-large conveyancing business

<table>
<thead>
<tr>
<th></th>
<th>Total burden per annum (Year 1)</th>
<th>Time burden (incl. in total burden)</th>
<th>Population affected (Year 1)</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial licence application</td>
<td>$161</td>
<td>171 mins</td>
<td>81</td>
<td>One off</td>
</tr>
<tr>
<td>Completing annual statement</td>
<td>$34</td>
<td>36 mins</td>
<td>81</td>
<td>Annual</td>
</tr>
<tr>
<td>Maintaining records for &amp; annual audit of trust accounts</td>
<td>$4,378</td>
<td>5,760 mins</td>
<td>8</td>
<td>Annual</td>
</tr>
<tr>
<td>CAV inspection of conveyancer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Preparing for inspection</td>
<td>0</td>
<td>NA</td>
<td>81</td>
<td>Annual</td>
</tr>
<tr>
<td>- Complying with inspection</td>
<td>$227</td>
<td>240 mins</td>
<td>7</td>
<td>Irregular</td>
</tr>
<tr>
<td>Transaction record storage</td>
<td>0</td>
<td>NA</td>
<td>81</td>
<td>NA</td>
</tr>
<tr>
<td>Other burden</td>
<td>Various, see Table 5.6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.2 Cost parameter assumptions

This section sets out the assumptions and rationale used in developing the cost parameters for the SCM calculation.

4.2.1 Tariff

An hourly tariff rate for a conveyancer has been calculated based on the average of responses from nine of the ten interviews conducted. The hourly rates reported during the interviews varied between $13.75 and $135 per hour as illustrated in Figure 5.1 below.
For the purpose of calculating the average the $135 amount (Interview 2) is considered to be an outlier and has been excluded from the analysis. The average of the remaining nine wage rates is $32.36 per hour. There was no significant difference found between the tariff rate of small and medium/large businesses.

The default rate of 75 per cent of the hourly wage rate as suggested in the Victorian Guide to Regulation is considered sufficient to measure overheads and on-costs, as there is no reason to suggest otherwise.

Depreciation of assets, such as computers and printers, is accounted for in the calculation through the 75 per cent loading applied to the hourly wage rate.

With the addition of the 75 per cent loading the hourly tariff used for conveyancers is $56.63.

### Table 4.3: Calculation of conveyancers’ hourly tariff

<table>
<thead>
<tr>
<th>Hourly rate</th>
<th>x</th>
<th>Loading</th>
<th>=</th>
<th>Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>$32.36</td>
<td>x</td>
<td>75%</td>
<td>=</td>
<td>$56.63</td>
</tr>
</tbody>
</table>

Where it was indicated during interviews that the conveyancer was not the person undertaking the activity being measured, adjustments have been made to the tariff rate used. This includes activities carried out by administrative staff, bookkeepers, external accountants or other services.

#### 4.2.2 Time

Estimates of the time taken for each activity being measured have been based on interview responses, and assume an eight hour day and a 48 week year.

These responses are aggregated and averages calculated for both the small and the medium/large segments. Where there was found to be a material difference in time burden between the segments the burden has been split to measure small and medium/large businesses separately, based on their respective population estimates. This is applicable for:

- the initial licence application
- preparation for and annual audit of trust accounts.
Initial license application

Responses about the costs associated with initial license applications have been standardised. Two of the respondents (one from a small business, the other from a medium/large business) indicated a significantly larger time burden than the average. This was due to substantial time being spent collecting information for the forms, which in one case related to an issue with insurance details while in the other case no reason was given. These responses have been considered outside the normal range and have been excluded from the small and medium/large calculations respectively.

Figure 4.2: Time taken to complete initial license application (interview responses)

Maintaining and auditing trust accounts

Only two of the conveyancers interviewed are currently operating trust accounts. The information provided in these two interviews was not considered robust enough to estimate the average cost of maintaining trust accounts and undertaking an annual audit. These estimates have instead been developed with advice from the CAV, based on their internal expert knowledge of both the conveyancing industry and the operation of trusts in the legal and real estate industries.

Based on this advice it is assumed that the conveyancer is likely to undertake trust administrative tasks in small businesses, while these tasks are likely to be undertaken by office support staff in the case of medium/large businesses. It is further assumed that these tasks will take half an hour per week for small businesses and 1.5 hours per week (48 week year) for medium/large businesses (based on the number of files completed) and two hours at each month end.

The external cost incurred undertaking the audit – that is, the cost of an auditor – has been calculated based on CAV consultation with a previous head of professional standards, accounts and unit branch of the Law Institute of Victoria. It has been estimated that an annual audit of trust accounts would take a professional auditor four hours at a rate of $200 per hour.

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8 Information from CAV indicates that at the time of this SCM only eight conveyancers had opened trust accounts.
9 The wage rate for office support staff has been calculated from ABS Cat. No. 6306.0, Table 1a, ANSCO occupation code 561, Clerical and office support workers, plus the standard 75 per cent loading for on-costs.

*Deloitte: Standard Cost Model Measurement of Changes to the Conveyancers Act 2006*
Maintaining documents for and complying with CAV inspection

In eight of the ten interviews conducted interviewees indicated that no additional expense would be incurred through keeping documents available for inspection by a CAV officer, as they were currently in such a state. The two interviewees that indicated an additional expense would be incurred in complying with this information requirement have been considered as outliers and excluded from this section of the analysis.

Interviewees were asked to estimate the time it would take them to comply with a CAV inspection. Most interviewees found it difficult to estimate this, as they had no familiarity with such an inspection. CAV has data from inspections of the real estate industry that indicate inspections of that industry generally take around 6 to 7 hours for the inspection. Given the different in size and volume of files between an estate agency business and a conveyancing business (conveyancing businesses usually being smaller) it is assumed that for conveyancing businesses the inspection time would be less. On this basis it has been assumed that the average time taken to comply with a CAV inspection will be roughly four hours.

Additional cost of document storage

None of the ten interviewees reported incurring any additional costs associated with document storage as a result of the legislative changes. It is therefore assumed that this cost is zero.

4.2.3 Population

The number of individual licence applications received is shown in the table below. Additionally there have been a further 145 applications for a company licence, all of which are completed jointly with one or more individual licence application.\(^{10}\)

<table>
<thead>
<tr>
<th>License type</th>
<th>Individual license applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full</td>
<td>145</td>
</tr>
<tr>
<td>Provisional</td>
<td>258</td>
</tr>
<tr>
<td>Total(^\text{11})</td>
<td>405</td>
</tr>
</tbody>
</table>

Overall population estimates have been derived from the total number of individual licence applications received (405), with this population expected to grow linearly to 600 over the next ten years.\(^{12}\) Information obtained from CAV indicates that around 80 percent of conveyancing businesses are small businesses, with the remaining 20 percent classified as medium/large. This ratio is assumed to remain approximately constant over the forecast period. Discussions with CAV led to the assumption that, by the end of the ten year forecast period the population of conveyancing businesses would consist of 496 small businesses and a further 104 medium/large businesses.

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\(^{10}\) It is a legislative requirement that each licensed company have at least one licensed director.\(^{11}\) Includes two applications for Individual Mutual Recognition.\(^{12}\) Based on information obtained from CAV, calculated from current and expected TAFE and University enrolments in conveyancing courses.

Licence applications

The number of new licence applications occurring per year has been calculated from three sources:

- growth in the number of conveyancing businesses, based on the assumptions provided above
- turnover in the industry (i.e. cessation of some businesses and the start-up of new businesses), assumed to contribute to an average of 26 new licence applications per year
- provisional licence holders converting to a full licence, assumed (based on CAV information) to be 60 per cent of provisional licence holders in the first year and 10 per cent in each of the next four years, as provisional licences are converted to full licences.

Table 4.5: Expected licence applications over the calculation period

<table>
<thead>
<tr>
<th>Year</th>
<th>Small</th>
<th>Medium/large</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>322</td>
<td>81</td>
<td>403</td>
</tr>
<tr>
<td>1</td>
<td>158</td>
<td>37</td>
<td>195</td>
</tr>
<tr>
<td>2</td>
<td>56</td>
<td>10</td>
<td>66</td>
</tr>
<tr>
<td>3</td>
<td>56</td>
<td>10</td>
<td>66</td>
</tr>
<tr>
<td>4</td>
<td>56</td>
<td>10</td>
<td>66</td>
</tr>
<tr>
<td>5</td>
<td>56</td>
<td>10</td>
<td>66</td>
</tr>
<tr>
<td>6</td>
<td>36</td>
<td>5</td>
<td>41</td>
</tr>
<tr>
<td>7</td>
<td>36</td>
<td>5</td>
<td>41</td>
</tr>
<tr>
<td>8</td>
<td>36</td>
<td>5</td>
<td>41</td>
</tr>
<tr>
<td>9</td>
<td>36</td>
<td>5</td>
<td>41</td>
</tr>
<tr>
<td>10</td>
<td>36</td>
<td>5</td>
<td>41</td>
</tr>
</tbody>
</table>

These new applications for licences are used to calculate the expected population of conveyancing licence holders over the ten year period. Note that provisional licences are to be phased out by 2013.

Table 4.6: Expected number of licence holders over the calculation period

<table>
<thead>
<tr>
<th>Year</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>Provisional</td>
<td>206</td>
<td>83</td>
<td>62</td>
<td>41</td>
<td>21</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Full</td>
<td>116</td>
<td>257</td>
<td>295</td>
<td>333</td>
<td>371</td>
<td>409</td>
<td>427</td>
<td>444</td>
<td>461</td>
<td>479</td>
</tr>
<tr>
<td>Medium/large</td>
<td>Provisional</td>
<td>52</td>
<td>21</td>
<td>15</td>
<td>10</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Full</td>
<td>29</td>
<td>62</td>
<td>70</td>
<td>77</td>
<td>85</td>
<td>92</td>
<td>95</td>
<td>97</td>
<td>99</td>
<td>102</td>
</tr>
<tr>
<td>TOTAL</td>
<td>403</td>
<td>423</td>
<td>442</td>
<td>462</td>
<td>482</td>
<td>502</td>
<td>521</td>
<td>541</td>
<td>561</td>
<td>580</td>
<td>600</td>
</tr>
</tbody>
</table>

---

13 Based on information provided by CAV.

Trust accounts

CAV has also provided information on the population of conveyancers currently operating, or likely to operate trust accounts in the future. Based on this information it is assumed that two percent of small businesses will operate trust accounts in the first year, growing to 20 per cent over the next ten years; and that ten per cent of medium/large businesses will operate trust accounts, growing to 80 per cent over the next ten years.\(^{14}\)

4.2.4 Frequency

The frequency of the activities being measured has been estimated based on information obtained from the CAV and during interviews. Frequency estimations are as follows:

- the initial licence application is assumed to be a one off event\(^{15}\)
- annual statements are assumed to be completed once per year
- the annual trust account audit is assumed to occur once per year
- the cost of preparing documents for and complying with a CAV inspection have been calculated on an annual basis (with adjustments made for the likelihood of an inspection occurring).

4.2.5 Other burden

A number of other information obligations were identified by CAV as likely to increase regulatory requirements, although only by a minor amount (less than $10,000). Many of these information obligations are expected to only affect a very small amount of conveyancing businesses and thus are not suitable for testing through interview. The estimates from CAV have been combined with Deloitte Economics’ estimates of tariff rates and population size and included under the category ‘Other burden’. The information obligations covered by this category are set out in Table 5.7 below.

<table>
<thead>
<tr>
<th>Information obligation</th>
<th>Price (tariff x time)</th>
<th>Quantity (frequency x population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notify Authority if information changes only in relation to information required in the application</td>
<td>$14</td>
<td>40</td>
</tr>
<tr>
<td>Change of details annual statement</td>
<td>$14</td>
<td>40</td>
</tr>
<tr>
<td>Appointment in writing if manager or licensee absent</td>
<td>$14</td>
<td>15</td>
</tr>
<tr>
<td>Notification to Director of trust account</td>
<td>$19</td>
<td>210</td>
</tr>
<tr>
<td>License application for persons involved in claim</td>
<td>$38</td>
<td>1</td>
</tr>
<tr>
<td>License application for persons with a criminal record</td>
<td>$38</td>
<td>1</td>
</tr>
<tr>
<td>License application for company despite</td>
<td>$38</td>
<td>1</td>
</tr>
</tbody>
</table>

\(^{14}\) Linear growth is assumed.

\(^{15}\) Provisional licence holders will have to apply for a full licence, see section ‘License applications’ (above), hence for provisional licence holders, they will effectively have to go through the initial licence application process twice.

4.3 Empirical data collection strategy

Data was collected through ten interviews conducted between the 23rd and 27th of October 2008. The interviews were structured around a questionnaire to determine the administrative time taken to ensure compliance with requirements under the 2006 Act. (See Appendix A)

The contact details of conveyancers surveyed were provided by the Australian Institute of Conveyancers. The ten businesses included five small and five medium to large businesses.

The characteristics of the conveyancing businesses interviewed as part of the SCM measurement exercise are shown in the table below.

Table 4.8: Characteristics of businesses interviewed

<table>
<thead>
<tr>
<th>Information obligation</th>
<th>Price (tariff x time)</th>
<th>Quantity (frequency x population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>disqualifying factors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Application to employ disqualified persons</td>
<td>$38</td>
<td>5</td>
</tr>
<tr>
<td>Producing licence to authority</td>
<td>$9</td>
<td>35</td>
</tr>
<tr>
<td>Specified persons to produce documents and answer questions</td>
<td>$57</td>
<td>35</td>
</tr>
<tr>
<td>Reporting trust balances to the Director</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>Final audit of trust records (1) and auditor must lodge report with Director (3)</td>
<td>$800</td>
<td>8</td>
</tr>
<tr>
<td>Statutory declaration for Director</td>
<td>$19</td>
<td>8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Full : provisional licensees</th>
<th>Small businesses</th>
<th>Medium to large businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 : 1</td>
<td>4 : 1</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sole trader : company</th>
<th>Small businesses</th>
<th>Medium to large businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 : 2</td>
<td>1 : 4</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average number of employees</th>
<th>Small businesses</th>
<th>Medium to large businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>4.4</td>
<td></td>
</tr>
</tbody>
</table>
4.4 Summary of SCM calculation

The standardisation measures discussed in section 4.2 have been applied to the table below. All calculations in this table are derived from calculations of \( \text{price} \times \text{population} \times \text{frequency} \) per annum. Additionally the RRB amounts have been calculated based on guidance notes provided by VCEC and Department of Treasury and Finance. These amounts have been calculated as the average of the NPV amounts over the first ten years of the regulation, including the initial costs of licensing.

Table 4.9: RRB calculation

<table>
<thead>
<tr>
<th>Year</th>
<th>Initial</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Initial licence application</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small businesses</td>
<td>31,952</td>
<td>15,711</td>
<td>5,509</td>
<td>5,533</td>
<td>5,555</td>
<td>5,574</td>
<td>3,506</td>
<td>3,517</td>
<td>3,527</td>
<td>3,536</td>
<td>3,544</td>
<td>87,464</td>
</tr>
<tr>
<td>Medium/large businesses</td>
<td>13,028</td>
<td>5,920</td>
<td>1,717</td>
<td>1,687</td>
<td>1,659</td>
<td>1,634</td>
<td>843</td>
<td>832</td>
<td>821</td>
<td>812</td>
<td>802</td>
<td>29,755</td>
</tr>
<tr>
<td>Completing annual statement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small businesses</td>
<td>11,124</td>
<td>11,692</td>
<td>12,261</td>
<td>12,829</td>
<td>13,397</td>
<td>13,966</td>
<td>14,534</td>
<td>15,102</td>
<td>15,671</td>
<td>16,239</td>
<td>136,815</td>
<td></td>
</tr>
<tr>
<td>Medium/large businesses</td>
<td>2,715</td>
<td>2,792</td>
<td>2,869</td>
<td>2,945</td>
<td>3,022</td>
<td>3,099</td>
<td>3,175</td>
<td>3,252</td>
<td>3,328</td>
<td>3,405</td>
<td>30,602</td>
<td></td>
</tr>
<tr>
<td>Annual audit of trust accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small businesses</td>
<td>22,686</td>
<td>45,425</td>
<td>70,362</td>
<td>97,498</td>
<td>126,833</td>
<td>158,367</td>
<td>192,100</td>
<td>228,031</td>
<td>266,162</td>
<td>306,491</td>
<td>1,513,955</td>
<td></td>
</tr>
<tr>
<td>Medium/large businesses</td>
<td>35,290</td>
<td>61,735</td>
<td>89,614</td>
<td>118,927</td>
<td>149,675</td>
<td>181,857</td>
<td>215,473</td>
<td>250,524</td>
<td>287,009</td>
<td>324,929</td>
<td>1,715,032</td>
<td></td>
</tr>
<tr>
<td>CAV inspection of conveyancer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparing for inspection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complying with inspection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small businesses</td>
<td>6,343</td>
<td>6,343</td>
<td>6,343</td>
<td>6,343</td>
<td>6,343</td>
<td>6,343</td>
<td>6,343</td>
<td>6,343</td>
<td>6,343</td>
<td>6,343</td>
<td>63,427</td>
<td></td>
</tr>
<tr>
<td>Medium/large businesses</td>
<td>1,586</td>
<td>1,586</td>
<td>1,586</td>
<td>1,586</td>
<td>1,586</td>
<td>1,586</td>
<td>1,586</td>
<td>1,586</td>
<td>1,586</td>
<td>1,586</td>
<td>15,856</td>
<td></td>
</tr>
<tr>
<td>Transaction record storage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other burden</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium/large businesses</td>
<td>2,782</td>
<td>2,782</td>
<td>2,782</td>
<td>2,782</td>
<td>2,782</td>
<td>2,782</td>
<td>2,782</td>
<td>2,782</td>
<td>2,782</td>
<td>2,782</td>
<td>27,816</td>
<td></td>
</tr>
<tr>
<td>Total regulatory burden</td>
<td>44,980</td>
<td>101,375</td>
<td>136,799</td>
<td>190,253</td>
<td>247,342</td>
<td>308,064</td>
<td>369,566</td>
<td>437,560</td>
<td>509,186</td>
<td>584,446</td>
<td>663,339</td>
<td>3,592,910</td>
</tr>
<tr>
<td>Discount factor</td>
<td>1.00</td>
<td>1.04</td>
<td>1.07</td>
<td>1.11</td>
<td>1.15</td>
<td>1.19</td>
<td>1.23</td>
<td>1.27</td>
<td>1.32</td>
<td>1.36</td>
<td>1.41</td>
<td></td>
</tr>
<tr>
<td>Present value regulatory burden</td>
<td>44,980</td>
<td>97,947</td>
<td>127,703</td>
<td>171,598</td>
<td>215,544</td>
<td>259,382</td>
<td>300,642</td>
<td>343,918</td>
<td>386,682</td>
<td>428,826</td>
<td>470,254</td>
<td>2,847,475</td>
</tr>
</tbody>
</table>

Appendix A: Bibliography

Australian Bureau of Statistics, June 2007, *Labour Price Index*, 6345.0, Australia
Australian Bureau of Statistics, May 2006, *Employee Earnings and Hours*, 6306.0, Australia
Business Licensing Authority, 2008, *Conveyancer’s Licence – Company Application*,
Department of Justice, Melbourne
Department of Justice, Melbourne

*Conveyancers Act, 2006*

Department of Treasury and Finance (Vic.) – Better Regulation Unit, Guidance Note:
*Reporting an annual figure in SCM measurements of uneven changes in administrative burden*, 7 April 2008.


Appendix B: Questionnaire

Conveyancers Act 2006: Standard Cost Model Analysis: Conveyancers Questionnaire

Demographic questions

1. What type of licence did you apply for? (Provisional/Full) (Individual/Company/or both)

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
__________________________________________________

2. How do you conduct your conveyancing business? (sole trader, partnership, employee, director of a company)

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
__________________________________________________

3. How many employees do you have as part of your conveyancing business? If yes, have any of those employees applied for/obtained an individual licence?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
__________________________________________________

Licensing

Initial licence application:

4. Describe the process you went through to apply for your initial conveyancing license.

What was the total amount of time taken to complete this process? (Including: time taken to: understand the requirements, gather relevant information, obtain witness signatures, seek expert advice, gain evidence of and clarification of eligible education requirements, completion of the criminal history check form, seek clarification from the BLA, fill in the license form, submit the form to BLA, and any follow-up required).
Appendix B: Questionnaire

5. Were there any external costs incurred when applying for the licence? External costs may include the cost of obtaining legal or accountancy advice and the cost of travel to BLA, the cost of couriering application forms etc.

6. For Company Interviewee: Did you fill out the form by yourself or did someone else in your organisation help fill out the form? Did your employees who applied for an individual licence fill out their own forms or was there one person responsible for completing sections of the forms? If so, what percentage of the total hours/work undertaken was completed by this other person?

Annual statement:
Each year you will be required to lodge an annual statement and pay the annual licence fee. The annual statement has not been developed yet; however it is expected that it will simply ask you to confirm your licensing details and eligibility (as opposed to resubmitting your qualifications, identification, criminal check etc). The Business Licensing Authority will send you the annual statement and specify the lodgement date.

7. Provide an estimate of the time you expect it will take to process payment of the prescribed annual fee and submission of the annual statement? (Including confirming your details, completing the form, writing the cheque, submitting the form)

8. Are there any anticipated external costs associated with processing payment of the prescribed annual fee and submission of the annual statement? (e.g. the obtaining legal or accountancy advice and the cost of travel to BLA, the cost of couriering application forms etc).

Appendix B: Questionnaire

Annual audit of trust accounts

9. Have you, or are you likely to, take up the option of operating a trust account?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

Annual audit of trust records

10. Provide a description of the expected processes to be undertaken in preparing documents/files for the auditor, prior to the annual audit of trust accounts. How long are these processes expected to take?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

11. What is the expected audit cost (external tariff paid to the auditor) of the annual audit of trust records? Include (per hour cost) * (number of hours).

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

12. Are there any anticipated additional external costs (other than the audit fee) associated with the audit process? (e.g. external costs may include the cost of travel to the Consumer Affairs Victoria, the cost of couriering forms etc).

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

13. Would you be the person responsible for preparing the reports for the auditor? If not, who in your organisation would be responsible? If so, what percentage of the total hours/work undertaken was completed by this other person?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

Consumer Affairs Victoria inspection of conveyancer

Inspections

Under section 153 of the Conveyancers Act 2006 licence holders must keep all documents relating to the business available for inspection by an inspector, in a form which they can be readily inspected.

14. What processes are currently followed to ensure that documents are kept in this manner? Would this requirement change your document management system in any way?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

15. What is the total amount of additional time (per annum) spent on document management specifically in order to comply with this section of the legislation?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

16. It has been estimated that, if you were subject to an inspection, complying with the inspector’s requests for information would take approximately seven hours (this is based on evidence from inspections of the Real Estate industry). Do you think this is a reasonable estimate?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
17. Would you be the person responsible for preparing the reports for the auditor? If not, who in your organisation would be responsible? If so, what percentage of the total hours/work undertaken was completed by this other person?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
__________________________________________________

Conveyancing transaction record storage

The Conveyancers Act 2006 requires records to be stored for 7 years after the date on which the conveyancing work to which the record relates was undertaken.

18. Will this legislative requirement alter your existing document storage processes?
   Y/N

19. If yes, what is/will be the new document storage process followed? For example are documents stored on-site or at a commercial storage facility? How long do these processes take to complete?
   Provide (time to store documents) * (frequency per year)

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

20. What are the external costs (if any) of document storage? External costs may include the cost of transporting documents to storage facility or fees paid for storage.
   Provide (external cost) * (frequency per year)

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

21. How many files (records of conveyances) per year are included in the costs documented above?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
22. How many pages per year are included in the costs documented above?

23. Would you be the person responsible for document storage? If not, who in your organisation would be responsible? If so, what percentage of the total hours/work undertaken was completed by this other person?

Concluding question

The SCM measurement requires an estimate of the wage rate of the person undertaking the activities. We have estimated $31 per hour. Would you consider this a reasonable estimate? If not, are you able to provide an estimate and/or can you provide me the average number of transactions/files you (or your company) complete each year? (For companies: how many conveyancers do you have working for you?).
24. In questions 6, 13 and 22 you identified that someone else within your organisation helped or was responsible for undertaking some of the requirements. We have estimated an average wage of $22 for this person. Would you consider this a reasonable estimate? If not, are you able to provide an estimate?

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