



Reducing the Regulatory Burden Initiative
Standard Cost Model Report
Motor Car Traders
(Amendment) Regulations
2006



Consumer Affairs
Victoria



July 2007



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“Introduction”

Name of regulatory instrument	Motor Car Traders (Amendment) Regulations 2006
Type of regulatory instrument	Regulation
Section	35

Summary of the Regulation

Explanation of the Motor Car Traders (Amendment) Regulations 2006

What happened when

The Motor Car Traders (Amendment) Regulations 2006 (the Regulations) amended the Motor Car Traders Regulations 1998 to give effect to Part 2 of the *Motor Car Traders and Fair Trading Acts (Amendment) Act 2005* (the Amendment Act). The Regulations commenced on 1 December 2006.

Objective of the Regulations

The primary objective of the Regulations was to bring about the ‘dealings book’ changes contained in the Amendment Act. The dealings book is a record of specified information relating to vehicle transactions which motor car traders (dealers) are required to keep under section 35 of the *Motor Car Traders Act 1986* (the Act).

Result of the changes

The Amendment Act removes the requirement on dealers to keep a paper copy of the electronic dealings book and gives dealers the option of maintaining their dealings book in electronic form only. As a result of the changes to the Regulations, dealers are now able to satisfy the signature requirement by obtaining and storing a paper document that:

- identifies in the prescribed manner the name and address of the person from whom the motor car was acquired, and
- is signed as prescribed, and
- is linked as prescribed to the dealings book (see next page).

How the Regulations work

The Amendment Regulations provide that a motor car is specified in a paper document if the registration number, trader’s stock number, vehicle identification number or engine number of the motor car is recorded. This provides the linkage between the dealings book and the paper document. The Amendment Regulations provide that the dealings book is linked to the paper document in the prescribed manner if it records the registration number, trader’s stock number, vehicle identification number or engine number and one of these numbers also appears on the paper document.

The Regulations give effect to Part 2 of the Amendment Act by:

- prescribing information that must be recorded on a paper document and the manner in which it must be linked to the dealings book to satisfy the requirements in section 35(8) of the Act. For example, an invoice containing the name, address and signature of the person from whom the vehicle was acquired, as well as the registration number of the vehicle, would suffice if the registration number of the vehicle is also recorded in the dealings book

- removing the need for dealers to collate the required data and to print out the relevant transaction from their electronic dealings book to obtain a signature, thereby enabling dealers to keep their dealings book in purely electronic form.

Summary of change

Previous regulation	Currently
<p>Requirement for physical signature in dealings book</p> <ul style="list-style-type: none"> • Dealers must obtain a physical signature in their dealings book for each vehicle received. 	<p>No requirement for physical signature in dealings book, if:</p> <p>(a) another document (typically an invoice) exists that records the name, address and signature of the person from whom the vehicle was acquired, and</p> <p>(b) this document (typically an invoice) is readily accessible and is linked to the transaction recorded in their dealings book in the manner prescribed by the Amendment Regulations.</p>
<p>Impact</p> <p>So, although dealers were previously allowed to keep an electronic dealings book, in order to meet the signature requirements:</p> <ul style="list-style-type: none"> • dealers who kept an electronic dealer management system (EDMS), also had to collate the required data and print out each record in their dealing book to obtain a physical signature. 	<p>Impact</p> <p>If the above conditions are met, then:</p> <ul style="list-style-type: none"> • Dealers can keep their dealings book in purely electronic form.

“ Background ”

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. Progress towards achieving targeted reductions in administrative burdens will be measured using the Standard Cost Model (SCM). The SCM was developed by the Dutch Government to provide a consistent method for estimating the administrative costs imposed on business by government. The Standard Cost Model is designed to produce indicative estimates of burdens, and to develop a strong understanding of the drivers of these costs. However, the SCM is not designed to provide statistically robust data.

“ Overview of the burden ”

Summary of the SCM measurement exercise

Net results of the changes in the administrative burden

The SCM measurement exercise measured the time taken to complete the previous information obligation. The changes implemented by the Regulations removed the administrative burden for the industry around redundant paperwork requirements for used car transfers (see Table 1 on page 7 for details), therefore no measurement of time under the amended Regulations was required. As a result of the regulatory change, the time taken to complete the information obligation decreased by approximately 15 minutes. The net result is an administrative burden decrease of \$7,515,017 for dealers.

Any trends or themes identified

Industry feedback

The inability of dealers to keep only an electronic version [of their dealings book] was often raised as a concern throughout the consultations for the Pullen report (s 4.1.3).

An issue that was raised in relation to the dealings book was that of electronic record keeping ... most traders now maintain electronic records (primarily for GST and inventory purposes) and there are a variety of software packages available that enable an electronic version of the dealings book. The Act allows traders to keep a dealings book in electronic form. However, traders are required to copy or print the entries relating to a

transaction on to paper, which must then be signed as prescribed, and kept together with other printed entries relating to other transactions. Traders said this requirement of printing the electronic dealings book and having it signed effectively counteracted any benefit in having an electronic dealings book. They said it was impractical to do this and therefore, they must also maintain a physical dealings book, which could be signed by the customer in order to meet the regulatory requirement. ...

They argued that there was too much paperwork and too much duplication within this paperwork, and that the Act and Regulations should be revisited to identify areas where the paperwork could be streamlined. One trader explained the process that traders often have to go through when selling a car to another trader, describing this process as ‘antiquated’ or ‘old-fashioned’. He said that when a wholesaler sells a car to another trader, this is usually arranged by phone. The trader then sends a slip containing the necessary details from the dealings book to the wholesaler for their signature. The wholesaler signs (or stamps) the slip and posts it back to the trader, who then glues it in to the appropriate place in their dealings book ...¹

¹ N Pullen, MP, *Report on the Motor Car Traders Act Consultations*, December 2004.

Business as usual trends

Given the prevalence of these concerns, the dealings book requirements were reviewed. Consequently, the Government decided to revise the dealings book requirements. Given that there was no clear indication of the benefit of requiring a physical signature in the dealings book, this requirement was removed. In relation to the Reducing the Regulatory Burden initiative, the reduction in paperwork requirements to facilitate electronic record keeping by motor car dealers is consistent with the Government's recognition of the function of good regulation in "underpinning efficient and well functioning market economies."²

In response to the Australian Taxation Office requirements, many businesses have moved to electronic accounting and stock control systems for Business Activity Statement (BAS) reporting. The VACC, the peak industry body for motor car dealers, advised in their consultations with government and in their submission that:

it should be noted that all franchised motor vehicle dealers and most independent used car traders now use electronic dealer management systems³.

Electronic dealer books may, therefore, be regarded as standard for a normally efficient business. For dealers to operate competitively on transfer volume, a computerised system is required for efficiency. The number of transfers made by dealers who do not use computerised systems would, therefore, be necessarily insignificant as a proportion of the total transfers.

The proportion of transfers completed by non-computerised dealers is not commensurate with the population of non-computerised dealers, ie, if n% of dealers do not use computerised systems, this does not equate to n% of transfers, because the proportion of transfers completed by non-computerised dealers is insignificant.

The RRB initiative is concerned with measuring increases and decreases in administrative burden resulting from regulatory change. Therefore, it is the actual burden decrease resulting from the change in prescribed regulatory requirements that has been measured. It is beyond the scope of the SCM methodology to measure the uptake of the amendment.

Motor car industry trends

In the motor car industry, the trend is towards vertical integration between car manufacturers and retailers, which is consolidating the motor car industry into a smaller pool of larger players:

"For some time Australia's franchised motor vehicle dealers have noted the following changes in the market:

The acquisition by a leading manufacturer of all dealerships in a single city in so-called joint venture arrangements which are either designed to, or have the incidental effect of, eliminating or significantly reducing intra-brand competition."⁴

Although some smaller dealerships still keep manual dealer books, the combination of taxation requirements and industry trends towards larger dealerships, means that the measurement of the change in administrative burden reflects the impact for dealers across the industry.

Taken in this context, the partition between those dealers who keep electronic dealer books (the "normally efficient" business majority) and those who maintain manual dealer books is not significant.

² J Brumby, MP, *Reducing the Regulatory Burden: the Victorian Government's Plan to Reduce Red Tape*, 2006 [http://www.consumer.vic.gov.au/CA256902000FE154/Lookup/CAV_Publications_Consultations_Reviews/\\$file/MotorCarTraderReport.pdf](http://www.consumer.vic.gov.au/CA256902000FE154/Lookup/CAV_Publications_Consultations_Reviews/$file/MotorCarTraderReport.pdf) at 29/5/2007.

³ VACC, VACC Submission – *Review of Motor Car Traders Act 1986*, in September 2004, p29.

⁴ VACC, *Trends in the Retail Motor Vehicle Sales Industry: a Summary of Changes impacting on the Retail Motor Vehicles Sales Industry in Victoria*, Sept 2003.

Table 1 Motor Car Traders (Amendment) Regulations 2006 net impact on administrative burden

Information obligation	Previous administrative burden	Change to the administrative burden (net impact)
Information obligation	<p>Dealer was required to obtain the signature from person whom the car was received.</p> <p>If the dealings book was electronic, then the dealer had to collate the required data before the transfer record was printed to obtain the required signature in the dealings book (even if this signature was already held in another document).</p>	<p>Dealer is now required to obtain the signature from person whom the car was acquired.</p> <p>The signature now only needs to be on a document that can be cross referenced to an electronic dealings book in the prescribed manner.</p>
Total	\$7,515,017	-\$7,515,017

<http://www.motor.net.au/VACC/Media/SurveysAndResearch/682c2e87-8ce8-46f8-9a2f-0fea182f5682/Industry%20Trends%20Report%20040903.pdf> at 11/5/2007.

“ Summary of SCM measurement exercise ”

Cost parameter assumptions

Tariff

- This SCM report uses the Average Weekly Earning rate of \$55 per hour (as advised by VCEC)

Time

- No assumptions were made regarding the Time parameter.
- The time taken to complete the information obligation was verified by interviews with industry participants.

Population

- All dealers trade used cars. Even dealers who display only new cars for sale have to accept trade-in vehicles, which they dispose of to other dealers.
- For completeness, we note that the number of motor car dealers is 2,198 (as sourced from the *CAV Annual Report 2006-07*), but the notional average number of transfers per dealer, is not required to calculate the burden, as the total number of transfers is known.

Frequency

- In this SCM, the pertinent parameter for the administrative burden is Frequency, ie, the actual number of motor car transfers (546,547) per year for the industry.
- The actual number of transfers per dealer was obtained from VicRoads 2005/06 figures⁵ (see next page for Table 2).
- The default compliance rate was assumed for the completion of information obligations for dealer book requirements.

⁵ Number of transfers as advised by the Acting Manager, R & L Operations, VicRoads Registration and Licensing Department, 21/5/2007 (via email).

Table 2 Motor Car Transfers

Transfers	Number of transfers	Comments
<p>Number of transfers from private sellers to dealers per year (See Figures 1 & 2 for private to dealer transfers before and after amendment)</p>	198,744	<p>From VicRoads 2005/06 figures</p> <p>Note: All of these cars, are acquired by the licensed motor car traders prior to sale.</p> <p>This is because consignment selling is illegal in Victoria, so the LMCTs must first own the cars they sell.</p> <p>The figures for transfers from private buyer to dealer and dealer to private buyer are therefore mirror transactions.</p>
<p>Number of transfers from dealers to private buyers per year This represents the number of cars that must be acquired by licensed motor car traders prior to sale per year (See Figures 3 & 4 for private to dealer transfers before and after amendment)</p>	198,744	From VicRoads 2005/06 figures
<p>Number of transfers from dealer to dealer This represents the number of trade-in vehicles that dealers dispose of to other dealers per year (See Figures 5 & 6 for dealer to dealer transfers before and after amendment)</p>	149,059	<p>From VicRoads 2005/06 figures</p> <p>Dealers dispose of trade-vehicles that are not suitable for their retail operations to other dealers.</p>
<p>Total number of transfers This represents the number of dealings book transactions per year, which previously required signature to be obtained on print out of relevant transaction</p>	546,547	

Prescribed data for dealings book

The electronic dealings book is a set of records stored within stock recording or accounting computer systems. These computer systems are used for various business as usual tasks including stock control and GST reporting. The data prescribed by s35 for the dealings book record is as follows:

Acquisition details

- Registration number (or, if unregistered, the trader's stock number)
- Make/model
- Type
- Year first registered
- Build date (if it appears on vehicle)
- Compliance date
- Vehicle identification/engine number on registration label
- Date of acquisition
- Odometer reading
- Name and address of person from whom the vehicle is acquired
- Security interest (if any)
- Security interest (if any) amount paid out in discharge
- Date security interest (if any) paid.

Disposal details (included for completeness but not relevant to the regulatory change):

- Sold to (name and address)
- Date of delivery
- Odometer reading
- Roadworthy Certificate
- Date notice of acquisition and notice of disposal sent to Roads Corporation.

Each dealings book record must be cross-linked with different "source documents" such as invoices, delivery dockets or contracts. These source documents contain some of the prescribed record fields, but do not contain all of the fields that would constitute a dealings book record. Therefore, before the change in regulations allowed dealers to cross-reference the data, a separate dealings book record that contained all of the prescribed fields had to be collated and printed from the electronic dealings book. This record then had to be signed.

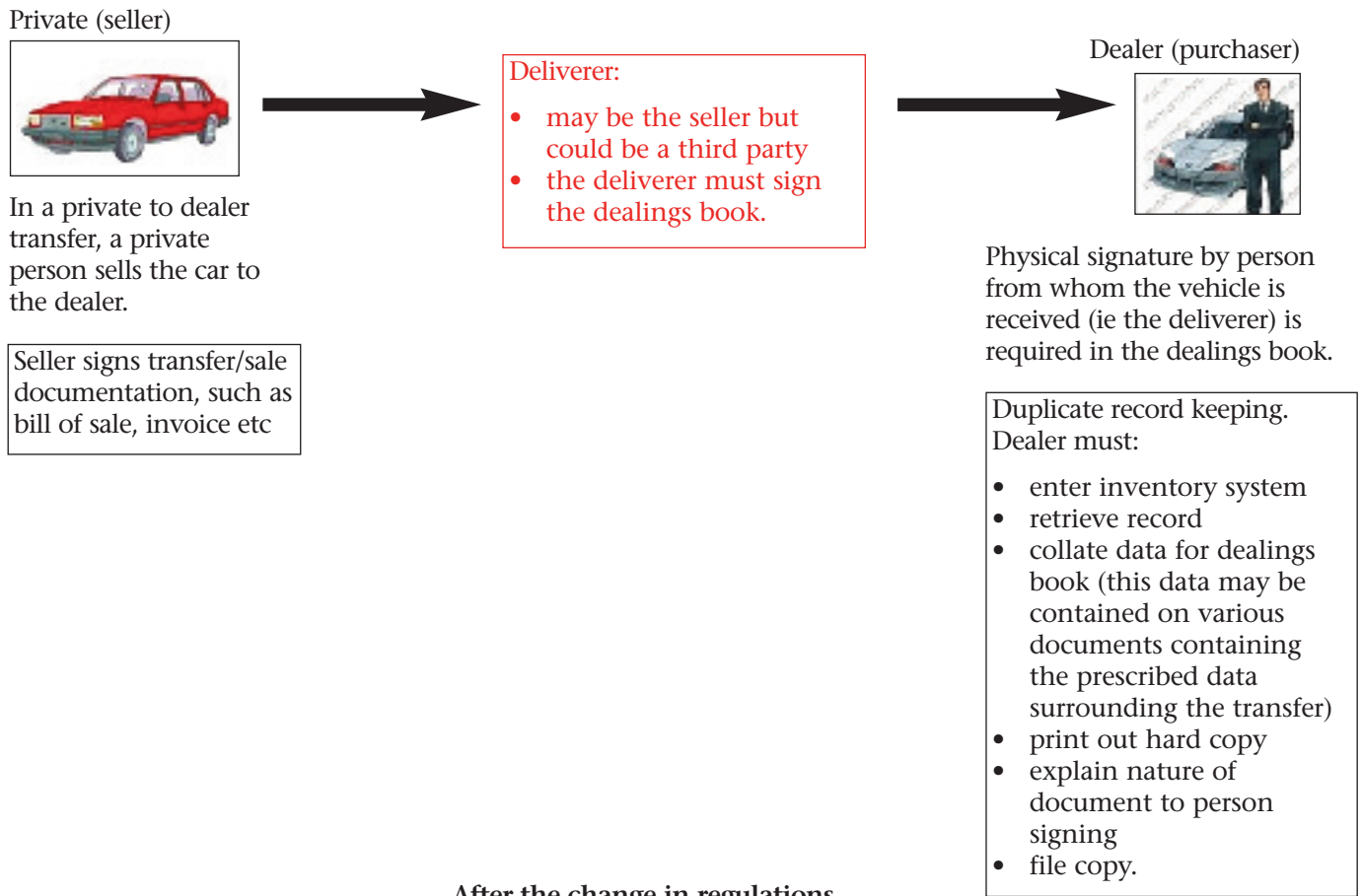
Given that the source documents had already been signed, the Regulations provided dealers with the ability to use cross-linking between the source documentation and records in the electronic dealings book. This removed the need to print out each dealings book acquisition record, acquire a signature on the record and collate and store this record with the source documents.

See following diagrams for process flow.

Diagram 1: Motor Car Traders' Transfers

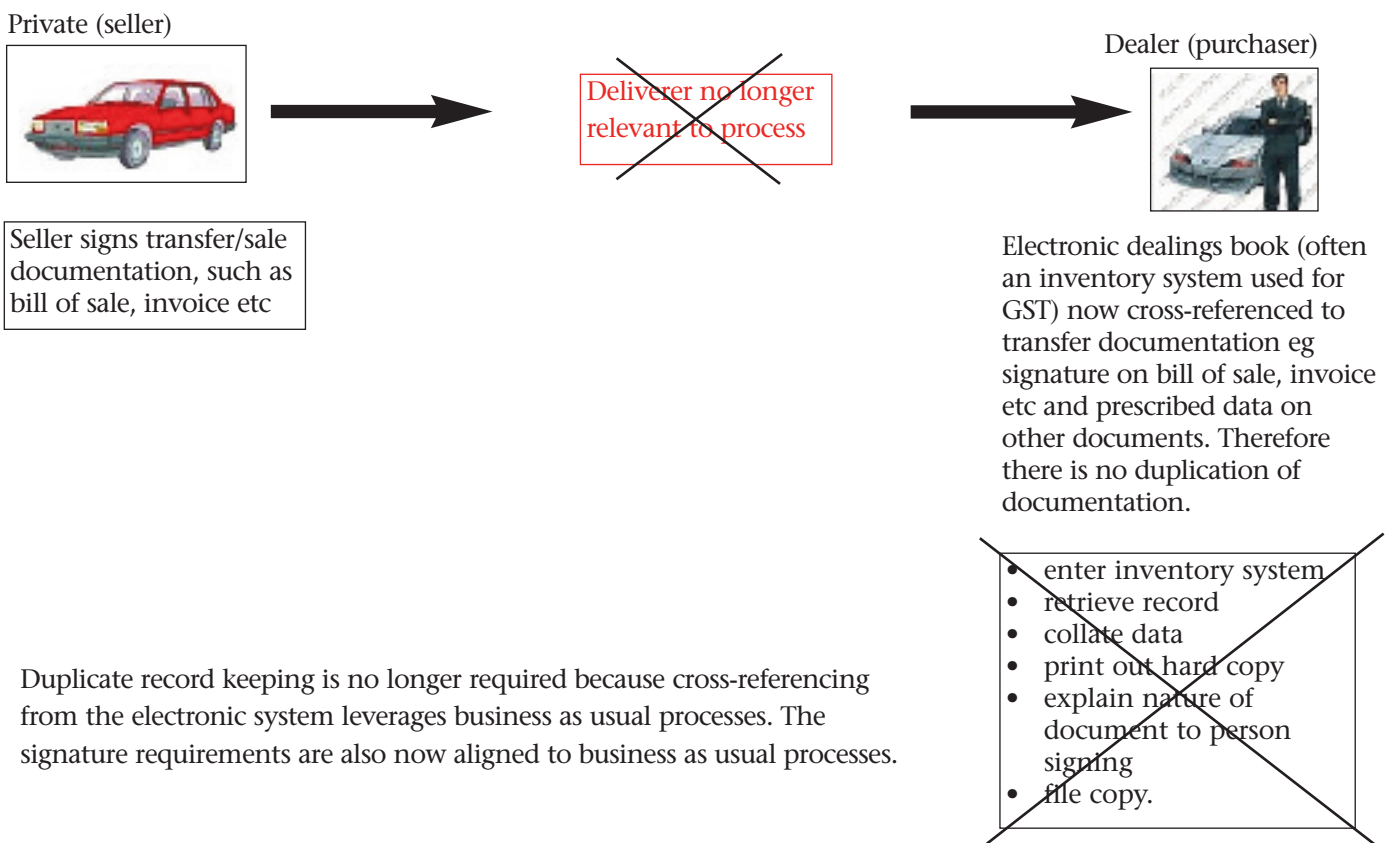
Before the change in regulations

Figure 1: Private to dealer transfers



After the change in regulations

Figure 2: Private to dealer transfers



Duplicate record keeping is no longer required because cross-referencing from the electronic system leverages business as usual processes. The signature requirements are also now aligned to business as usual processes.

Before the change in regulations
 Figure 3: Dealer to dealer transfers

Dealer 1 (purchaser)



Dealer 1 (purchaser) had to obtain the physical signature from whom the vehicle was received (ie the deliverer) to meet previous dealings book requirements (even though the signature had already been captured elsewhere).

Deliverer:

- can be either the seller (dealer 2) or a third party
- the deliverer must sign the dealings book
- if signature is not captured at the time of delivery, then it can take additional time to 'chase up signature' (as documented in the Pullen report).

Dealer 2 (seller)



Dealer signs transfer/sale documentation, such as bill of sale, invoice etc

Duplicate record keeping. Dealer must:

- enter inventory system
- retrieve record
- collate data for dealings book (this data may be contained on various documents containing the prescribed data surrounding the transfer)
- print out hard copy
- send dealings book details to dealer 2 for signature.



After the change in regulations

Figure 4: Dealer to dealer transfers

Dealer 1 (purchaser)



Electronic dealings book (often an inventory system used for GST) now cross-referenced to transfer documentation eg signature on bill of sale, invoice etc and prescribed data on other documents. Therefore there is no duplication of documentation.

~~Deliverer no longer relevant to process~~

Dealer 2 (seller)



Dealer signs transfer/sale documentation, such as bill of sale, invoice etc

Duplicate record keeping. Dealer must:

- enter inventory system
- retrieve record
- collate data for dealings book
- print out hard copy
- send details to dealer 2 for signature
- file copy.



Duplicate record keeping is no longer required because cross-referencing from the electronic system leverages business as usual processes. The signature requirements are also now aligned to business as usual processes.

Before the change in regulations
 Figure 5: Dealer to private transfers

Dealer (seller)



Private (purchaser)



- Duplicate record keeping.
 Dealer must:
- enter inventory system
 - retrieve record
 - collate data for dealings book (this data may be contained on various documents containing the prescribed data surrounding the transfer)
 - print out hard copy
 - file copy.

Purchaser signs transfer/sale documentation, such as bill of sale, invoice etc

After the change in regulations
 Figure 6: Dealer to private transfers

Dealer (seller)



Private (purchaser)



Electronic dealings book (often an inventory system used for GST) now cross-referenced to transfer documentation. Therefore there is no duplication of documentation.

Purchaser signs transfer/sale documentation, such as bill of sale, invoice etc

- enter inventory system
 - retrieve record
 - collate data
 - print out hard copy
 - file copy.

Duplicate record keeping is no longer required because cross-referencing from the electronic system leverages business as usual processes.

Reduction in administrative cost

Consequently, the reduction in administrative cost of \$7,515,017 is calculated as follows:

Price	x	Quantity	Administrative Cost
Internal tariff x time	x	Frequency (ie number of transfers)	
(\$55 x 0.25 hours = \$14 (rounded))	x	546, 547	= \$7,515,017

Previous administrative burden

Prior to the introduction of the Regulations, the dealer was required to obtain the signature from person whom the car was received. This signature was required to be in the dealings book. If the dealings book was electronic, then that record was required to be printed in order for a signature to be obtained (again).

Reduction in administrative burden

Under the Regulations, the Dealer is now required to obtain the signature from the person whom the car was acquired. The signature is now required to be only on a document that can be cross referenced to an electronic dealings book in the prescribed manner.

Empirical data collection methodology

Data collection strategy

- The VACC, as the peak industry body, facilitated the interview process. The VACC was able to provide contact names for their members, and provided a random selection of dealer principals (by name) for interview. With the agreement of the VACC, the VACC was identified as a point of referral when contacting receptionists at the dealerships and when speaking to the dealer principals.
- The number of interviewees selected and the number of interviews conducted are summarised in Table 3.

Verification of interview approach

- The interview approach was discussed with VACC to confirm our understanding of process requirements, and the nature, scope and impact of the regulatory change.⁶ Interviewees were asked to advise (**on average**) how long it took them to collate data, print the entry relating to the relevant transaction from their electronic dealer management system, obtain the required signature, follow up for signatures when necessary (eg in dealer to dealer transfers), and file the signed record.

⁶ Interview approach discussed with P Letos, Division Manager of the Australian Automobile Dealers' Association, VACC on 4/4/2007 and confirmed by email on 5/4/2007.

Table 3 Summary of dealers selected for interview

Number of dealerships provided for interview by the VACC	Number of dealerships approached	Number of dealer/principals contacted	Number of dealer/principals interviewed using only electronic dealer books
11	9 Note: 1 Dealer/Principal on leave 1 Dealer/Principal in meetings (2 calls made)	7 Note: 2 dealer/principals also kept manual records and were therefore not interviewed	5

The interviews were conducted by telephone in April 2007.

Empirical data standardisation process

The results of the empirical data collection were standardised to provide a single estimate for a normally efficient business as follows:

- four of the five interviewees advised that the time they took to complete the information obligation was 15 minutes
- one of the five interviewees advised that the time taken was 30 minutes
- therefore, 15 minutes was used as the estimate for a normally efficient business.

“
Attachment 1
VicRoads 2005-06
motor car transfers
 ”

2005/06 Total number of transfers		828,101
	% of total number of transfers	Number of transfers
Private to dealer	24%	198,744
Dealer to private	24%	198,744
Dealer to dealer	18%	149,059
Total Licensed Motor Car Traders Transfers	66%	546,547
Excluded - private to private transfers (not covered by regulations)	34%	281,554

Attachment 2 SCM interview spreadsheet

Regulation: Motor Car Traders (Amendment) Regulations 2006
Facilitation of electronic record keeping of dealer book and simplification of paperwork requirements for used car transfers

	Existing burden						Comments
	Interview 1	Interview 2	Interview 3	Interview 4	Interview 5	Standardised figure	
	Price (tariff x time)	Price (tariff x time)	Price (tariff x time)	Price (tariff x time)	Price (tariff x time)	Price (tariff x time)	
Information Obligation 1 Data Requirement 1	\$14	\$14	\$14	\$14	\$28	\$14	

	Proposed change to the burden						Comments
	Interview 1	Interview 2	Interview 3	Interview 4	Interview 5	Standardised figure	
	Price (tariff x time)	Price (tariff x time)	Price (tariff x time)	Price (tariff x time)	Price (tariff x time)	Price (tariff x time)	
Information Obligation 1 Data Requirement 1	0	0	0	0	0	0	

Regulation: Motor Car Traders (Amendment) Regulations 2006
Facilitation of electronic record keeping of dealer book and simplification of paperwork requirements for used car transfers

Wage rate: \$55.00

		Existing burden		Proposed change to the burden		Other	
		External cost	Internal time	External cost	Internal time	Other costs	Other comments
Summary of interviews 1, 2, 3 and 4		(\$ per event)	(hrs/per event)	(\$ per event)	(hrs/per event)		
Information obligation 1							
Data Requirement 1							
Administrative activity	Understanding the requirement						
	Gathering the information	14	0.25	0	0	0	
	Calculation and preparation						
	Finalisation and transmission						
	Reaching agreement						
TOTAL: Data requirement 1		14	0.25	0	0	0	
TOTAL: Information obligation		14	0.25	0	0	0	

Summary of Interviews 1, 2, 3 and 4

Price = Internal price (tariff x time) + external tariff + other costs

Existing Burden: \$14.00 Proposed Burden: 0

		Existing burden		Proposed change to the burden		Other	
		External cost	Internal time	External cost	Internal time	Other costs	Other comments
Summary of interview 5		(\$ per event)	(hrs/per event)	(\$ per event)	(hrs/per event)		
Information obligation							
Data Requirement							
Administrative activity	Understanding the requirement						
	Gathering the information	28	0.5	0	0	0	
	Calculation and preparation						
	Finalisation and transmission						
	Reaching agreement						
TOTAL: Data requirement		28	0.5	0	0	0	
TOTAL: Information obligation		28	0.5	0	0	0	

Summary of Interview 5

Price = Internal price (tariff x time) + external tariff + other costs

Existing Burden: \$28.00 Proposed Burden: 0

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February 2008

MCT-06-01



Confident Consumers, Protected Communities.



18 July 2007

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Dear Ms Godfrey



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ASSESSMENT OF STANDARD COST MODEL MEASUREMENT

Thank you for seeking an assessment of the Standard Cost Model (SCM) report for the Motor Car Traders (Amendment) Regulations 2006. The Victorian Competition and Efficiency Commission (VCEC) received the final version of the above SCM report on 12 July 2007.

The VCEC assesses the adequacy of the measurement of the change in administrative burden, as required by section 4.4 of the *Victorian Guide to Regulation*. The VCEC's assessment is based on the adequacy of the evidence presented in the SCM report and is focused on the quality of the analysis rather than the merits of the regulatory change itself.

I advise that the administrative burden measurement contained in the Standard Cost Model report meets the requirements of the *Victorian Guide to Regulation*. In doing so, I note that the SCM report identifies the "normally efficient business" as using an electronic dealings book to record vehicle transactions. However, for small operators it may be efficient to have a paper-based dealings book and thus the market may be segmented into two types of "normally efficient business". I note that the report considers, based on industry advice, these small operators do not account for a significant share of vehicle transactions. Further information on whether there is a segmentation issue, and whether the estimated savings should be reduced, may become available when the SCM report is made public.

The Victorian Guide to Regulation requires that the VCEC's assessment of the SCM report be publicly disclosed alongside the report.

The VCEC is building a database of Standard Cost Model reports and will be putting your material on our website when it is released. Please inform us when you have placed this SCM report and our assessment letter on your website.

If you have any questions, please contact Andrew Walker (ph 9092 5830).

Yours sincerely

Simon Corden

Assistant Director

Victorian Competition and Efficiency Commission