

8 July 2011

Ms Megan Kirchner
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Dear Ms Kirchner

ASSESSMENT OF REGULATORY IMPACT STATEMENT

Thank you for seeking an assessment of the Regulatory Impact Statement (RIS) on the proposed *Residential Tenancies (Rooming House Standards) Regulations 2011*.

The Victorian Competition and Efficiency Commission (VCEC) assesses the adequacy of RISs as required under section 11 of the *Subordinate Legislation Act 1994* (the Act). I advise that the final version of the RIS received on 8 July 2011 meets the requirements of section 10 of the Act.

The VCEC's assessment is based on the adequacy of the evidence presented in the RIS and is focused on the quality of the analysis rather than the merits of the proposal itself. **Therefore, an assessment of adequacy by the VCEC does not represent an endorsement of the proposal.**

The following important qualifications are made in regard to the VCEC's assessment of the RIS.

Existence of amenity problems

The RIS presents limited evidence to demonstrate the existence of significant amenity problems in rooming houses. The RIS states that the Department of Human Services (the Department) acknowledges that it is difficult to provide evidence of a causal link between the amenity of rooming houses and outcomes for residents. Stakeholder feedback may assist in providing further evidence on the nature and extent of amenity problems.

Multi-criteria analysis

The multi-criteria analysis presented in the RIS does not clearly identify a preferred option. That is, the proposed regulations consisting of 11 new standards that require rooming house operators to improve the safety/security and amenity of their premises has been awarded the same total score as an option with seven safety/security standards. The proposed regulations have been identified as the preferred option by the Department on the basis that the additional standards provide greater protection to rooming house residents. Stakeholder feedback will be important in determining whether the proposed four additional standards, relating to gas and electrical safety checks, kitchen facilities, laundry facilities, and ventilation and lighting, should be included in the proposed regulations. That is, whether the additional benefits of these four standards to residents justify imposing additional costs.

Total costs of the proposed standards

The proposed standards are estimated to cost \$9.2 million in present value terms over a 10 year period. The VCEC notes that the total estimated cost may not include all costs likely to be incurred by rooming house operators in practice. For instance, it was not possible to estimate the total compliance cost of the ventilation and lighting standard due to uncertainty

about how operators will comply (for example, repairing windows or installing mechanical fans and skylights). Stakeholder feedback may assist in providing information about these costs.

Costs to rooming house residents

The RIS also notes that rooming house operators may pass on increased costs arising from the new standards to rooming house residents through higher rents. Combined with the potential for some rooming house closures (resulting from the proposed regulations), this may partly negate the objective of improving living standards for residents. Stakeholder feedback may assist in determining the extent of pass through of costs to rooming house residents and the likelihood of rooming house closures.

In the interests of transparency, most departments publish this assessment letter alongside the RIS when it is released for consultation. The VCEC recommends that you do the same.

If you have any questions, please contact RegulationReview@vcec.vic.gov.au.

Yours sincerely



Nick Voukelatos

Acting Assistant Director

Victorian Competition and Efficiency Commission