

# *How much is Duties Online reducing regulatory burden?*

Measurement of the  
change in  
administrative burden  
due to Duties Online

*State Revenue Office*

*Analysis of reduction in  
administrative burden  
for input into RCM for  
Duties Online*

*March 2013*



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# *Disclaimer*

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# *Abbreviations*

<b>Abbreviation</b>	<b>Description</b>
<b>BAU</b>	Business as usual
<b>CSC</b>	Customer Service Centre
<b>DOL</b>	Duties Online
<b>DRS</b>	Document return system
<b>PwC</b>	PricewaterhouseCoopers
<b>RCM</b>	Regulatory Change Measurement
<b>SRO</b>	State Revenue Office Victoria

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# **1 Scope of this report**

This report contains the analysis undertaken in calculating the change in regulatory burden as a result of the State Revenue Office's (SRO) introduction of Duties Online (DOL) from 3 October 2011.

SRO describes DOL as:

*A new system developed to provide an online alternative for use by commercial entities who regularly attend the SRO's Customer Service Centre or who regularly post duty documents to the SRO. It is a web based system accessible to 'registered users' through the SRO's website. DOL allows registered users to electronically submit details of the most common types of property transfers and Declarations of Trust for assessment, all from the convenience of their office.*

This analysis has been completed with the intention to be included in a Regulatory Change Measurement (RCM), however this report does not represent a formal or complete RCM in and of itself. Sections of an RCM that were outside the scope of this work were sections that describe the regulatory change and map the regulatory change.

## 2 Data strategy and sources

The following section outlines the strategy and sources used for data collection, data analysis and the calculation of cost estimates.

Data used in the RCM was sourced from both the SRO and via a consultation process undertaken with various businesses.

Table 1 lists the data required to undertake this exercise.

**Table 1: Provided data**

State Revenue Office	Consultations
<ul style="list-style-type: none"> <li>• Transaction data</li> <li>• Waiting time data</li> <li>• Uptake rate estimates</li> </ul>	<ul style="list-style-type: none"> <li>• Travel time</li> <li>• Transport cost</li> <li>• Agent costs</li> <li>• Waiting time</li> <li>• Transaction time</li> <li>• Registration and training time</li> <li>• Reconciliation time</li> <li>• Document retention costs</li> <li>• Delay costs.</li> </ul>

The nature of this required data is expanded on in the sections below.

### 2.1 Data sources

The following section sets out in detail the data sourced from both the State Revenue Office, as well as the consultations undertaken by PwC.

#### 2.1.1 State Revenue Office data

##### Transaction data

The SRO provided DOL transaction data for online transactions, mail transactions and transactions at the Customer Service Centre (CSC) between 1 October 2011 and 30 September 2012. This data included information on:

- the lodging party and their details
- the document identification number
- the bundle identification number<sup>1</sup>
- the lodgement and processing date

<sup>1</sup> A bundle represents all the documents that were processed in one transaction.

- the type of document
- the lodging area (lodging method)
- assessing area.<sup>2</sup>

### Waiting times

The SRO provided data on the average monthly waiting times for lodgers at the SRO Customer Service Counter. This data was provided for months between October 2009 and February 2013.

### Uptake rates

Uptake rates were calculated for the first year using the number of businesses that had lodged at least one document via DOL. This was significantly less than the number that had registered for DOL, but it was considered that the user would not begin to receive benefits until documents were processed online. Following the first year for which data was available, estimates were developed in consultation with experienced and senior SRO staff based on current uptake rates and SRO future expectations.

### 2.1.2 Consultation

Since the introduction of DOL (the regulatory change) will impact on those businesses lodging documents with the SRO, PwC conducted six consultations, of which:

- three were former Document Return System (DRS) agent businesses
- three were non-DRS agent businesses.

DRS agents represent businesses that prior to their registration to use DOL were acting on behalf of the SRO to process and manually stamp documents. Some would process and stamp documents for their own clients, and some would also process and stamp documents for other businesses clients.

Non-DRS agents businesses represent all other business documents lodgers at the SRO.

Data collected from these consultations included both qualitative data, such as ease of implementation and transition, as well as quantitative data like estimates of the cost of registration.

Overall, the feedback from the consultation in relation to DOL was very positive. While some spoke about initial issues, in most instances these had been resolved by working with SRO. While initially some were cautious about using DOL for all DOL type transactions, consultation participants now use DOL for as many transactions as possible, and are hopeful the more transaction types will be enabled in the near future.

Participants were also very satisfied with the training and ongoing support provided for users for DOL, and said that SRO were also helpful and available to provide assistance when required.

All data was taken into account to ensure the most robust estimates possible, with higher weights afforded to the more reliable sources of data.

In terms of testing the plausibility of the data, sense checks were conducted with SRO staff to confirm that the data and assumptions used, and the estimated

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<sup>2</sup> Due to the fact that some fields in the data were blank (ie had missing data) around 185 transactions had insufficient data recorded for them to be included in the analysis.



results, were plausible. Following this process, all estimates were considered reasonable.

## **2.2 Data segmentation**

Where the affected population is diverse, estimates for different parts of the sector may vary significantly. For instance, large businesses may take much less time to complete a particular regulatory task in comparison with smaller businesses. Where the variation is significant, the affected sector can be disaggregated into segments (generally not more than three).<sup>3</sup>

In this case, different segmentation was used depending on the estimate being made and the most applicable split for that estimate:

- Uptake was estimated in terms of business that generally make over 50 transactions per year, those that make between 10 and 50, and those that make fewer than 10.
- Due to the significantly differing number of saved trips per business and travel costs for businesses implementing DOL, individuals transaction data for businesses over a four month period was used, rather than assuming averages over samples of this population of businesses.
- Estimates for costs like registration and training (per person) were generally considered to be the same for entities of all sizes and therefore only one estimate was used for the entire industry.

This analysis does not include those organisations outside the scope of this analysis such as government departments and agencies.

Insufficient information was available to identify any not-for-profit businesses operating in the sector. To the extent that not-for-profit businesses do operate in the sector, they have been counted in the business category.

## **2.3 Assessing how costs apply to a normally efficient business**

The *Regulatory Change Measurement Manual* sets out that ‘costs used should reflect those experienced by a normally efficient business’.

*The cost of complying with a regulatory requirement, as experienced by different businesses or regulated entities, can vary considerably. The RCM aims to assess the costs experienced by a normally efficient business – which is a business (or regulated entity) that handles its regulatory tasks neither better nor worse than may be reasonably expected. This cost experience can be deemed to be representative of the experience of similarly regulated entities in that sector.*

*Note that this should not be taken to mean that the normally efficient business performs its regulatory tasks perfectly. For instance, it is not an expectation (for the purposes of the RCM) that businesses always complete complex application forms perfectly the first time. An average error rate in complying with complex regulatory requirements can therefore be recognised, including some reasonable amount of re-work in response to feedback or advice from regulators.*

Source: Department of Treasury and Finance, Victorian Regulatory Change Measurement Manual, January 2010.

<sup>3</sup> Department of Treasury and Finance, Victorian Regulatory Change Measurement Manual, January 2010.

Businesses participating in the consultation process were asked a number of questions to identify whether, from their perspective, they represented a typical business within the industry.

Consideration was also given during the consultations as to whether from PwC's perspective, information gathered appeared to be abnormally high or low, based on the results from other similar consultations.

PwC did not identify any data or information to suggest that any of the businesses consulted with during this process were either better or worse than may reasonably be expected.

## ***2.4 Business as usual costs***

Regulated entities often incur a range of costs even in the absence of a specific regulation (this is the baseline case). Such costs may be incurred by a regulated entity of its own accord or because of other regulations (such as those of the Commonwealth) and are known as Business-as-Usual (BAU) costs.<sup>4</sup>

Regulatory costs should thus be seen as the increment or addition to costs that are incurred by a regulated entity (eg individual, business, or organisation including government service organisation) in the absence of that regulation. When identifying regulatory costs for an RCM, it is therefore crucial to subtract BAU costs.<sup>5</sup>

BAU costs in this instance were considered to be any costs that the business would have incurred, irrespective of the introduction of DOL, or costs that had already been incurred prior to the introduction.

Where costs were considered to be BAU costs, they were not included in the calculation of change in regulatory burden in this report. Further discussion of where costs were considered as BAU costs can be found in Section 4.

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<sup>4</sup> Department of Treasury and Finance, Victorian Regulatory Change Measurement Manual, January 2010.

<sup>5</sup> Department of Treasury and Finance, Victorian Regulatory Change Measurement Manual, January 2010.

# 3 Quantifying the change in administrative burden

## 3.1 The basic formula

The basic formula used to calculate the change in the administrative burden is the average change in cost, multiplied by the frequency (average impact per lodger multiplied by the number of users).

The basic calculations for each of the different impacts on administrative cost is shown in Table 2 for former DRS agent business, and in Table 3 for other businesses.

**Table 2: Model calculations for DRS agent businesses**

Component	Description	Price	Quantity
<b>Avoided travel cost</b>	Time and transport cost saved by making fewer trips to the SRO Customer Service Counter.	average travel time per trip x staff time cost  average transport cost per trip	number of trips avoided for each business
<b>Reduced transaction time</b>	Reduced time per transaction	average change in transaction time x staff time cost	average number of transactions by former DRS agents
<b>Reduced reconciliation time</b>	Reduced costs of reconciliation	reduction in reconciliation time per day x staff time cost	number of DOL transaction days per business  number of businesses
<b>Registration and training costs</b>	Additional cost of once off registration and training costs	(average registration time per business) + average training time per business) x staff time cost	number of registrations

**Table 3: Model calculations for other businesses**

Component	Description	Price	Quantity
<b>Avoided travel cost</b>	Time and transport cost saved by making fewer trips to the SRO Customer Service Counter.	average travel time per trip x staff time cost  average transport cost per trip	number of trips avoided for each business
<b>Avoided agent costs</b>	Agent costs saved by using DOL rather than agents to submit duties documents	average lodgement cost per document	reduction in the number of documents lodged through an agent
<b>Reduction in overall waiting time</b>	Time saved by spending less time waiting at the SRO Customer Service Counter	average waiting time (pre-DOL) x staff time cost  average change in waiting time (pre-DOL compared to post-DOL)	total number of trips avoided  number of visits to the SRO Customer Service Counter post-DOL
<b>Avoided mail costs</b>	Reduced costs of sending duties documents in the mail	average mailing cost	total reduction in the number of mail transactions
<b>Registration and training costs</b>	Additional cost of once off registration and training costs	(average registration time per business) + average training time per business) x staff time cost	number of registrations

### 3.2 Nature of the calculations

The SRO hold a significant amount of data on the documents lodged in Victoria both before and after the introduction of DOL, via the Customer Service Desk, DRS agents and via the mail.

This data shows that the lodging costs for the different businesses that lodge documents at the SRO can vary significantly, and taking averages across the dataset would be unlikely to estimate expected impact with sufficient accuracy.

Estimates have therefore effectively been made in relation to all of the businesses that appear in the lodging data between October 2011 and September 2012. This has allowed the many differences like lodgement method, travel distance, mix of documents and business type to be taken into consideration when undertaking the calculations.

While this allowed the estimated savings from using DOL to be estimated for each business, assumptions were still required as to the likely year in which each business would begin to use DOL. With the exception of year one (for which data was available), these assumptions were determined in close consultation with experienced SRO staff that manage the DOL system and understand the SRO policy direction in relation to DOL in the future. The uptake assumptions determined can be found in Appendix A.

These estimates for each business were then aggregated for each impact type and presented as a total for each business type.

### **3.3 Detail of calculations for former DRS agent businesses**

#### **3.3.1 Avoided travel costs**

Avoided travel costs are expected due to businesses avoiding trips into the SRO Customer Service Counter. This is expected to save on both staff time and transport costs.

##### **Calculating travel time and transport costs**

The travel time and transport costs for each lodging party were estimated using Google Maps<sup>6</sup>, as the estimated travel time and distance by car for the quickest travel route from the lodging parties recorded address<sup>7</sup> to the SRO Customer Service Counter, and then doubled to reflect a return trip.<sup>8</sup>

While it is acknowledged that not all trips would be made by lodging parties from their lodging address, this location was used as the best available information on the location of each business.

A check of a sample of interstate lodging party addresses generally showed that these businesses also generally had offices in Victoria. On that basis, it has been assumed that businesses lodging at the SRO Customer Service Counter would have an office in Victoria. As the office location of these businesses in Victoria was not known, the average travel time and distance for all other businesses were used in these instances.

Travel time cost was estimated using a fully distributed cost approach in respect of overhead costs, rather than a marginal cost approach. Thus, average full time adult weekly earnings for Victoria (from the ABS) was grossed up to include on-costs of 16.5 per cent and overheads of 50.0 per cent.<sup>9</sup>

Transport costs were calculated by applying an amount of 71 cents per km (taken as the average of the three tax deduction amounts set out by the Australian Tax Office (ATO) for recovery of motor vehicle expenses by distance travelled for different sized vehicles).<sup>10</sup> While the ATO does not appear to set out exactly what is included in this recovery amount, in the absence of any better measure, this appears to be a reasonable basis for this estimate.

Travel times estimated using this method were tested with consultation participants during the consultation process. While many of the travel times for inner city addresses were less than 15 minutes, consultation participants suggested that around 15 minutes was required as a minimum, due to the common use of other transport methods like using trams, walking or catching taxis, which often included additional time (eg for waiting at the tram stop etc). Therefore all

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<sup>6</sup> <http://maps.google.com.au/maps?hl=en&tab=wl>.

<sup>7</sup> Provided by the SRO.

<sup>8</sup> In some instances, the lodging party address was a DX address, in which case the suburb of that address was used in place of the postcode.

<sup>9</sup> Government of Victoria, 2011, Victorian Guide to Regulation – Appendix C, Department of Treasury and Finance, Melbourne.

<sup>10</sup> The ATO states that 63 cents per km may be claimed for ordinary cars with 1.6 litre engines or less, 74 cents per km may be claimed for ordinary cars with engines between 1.6 litres and 2.6 litres, and 75 cent per km may be claimed for cars with engines over 2.6 litres in capacity.

businesses with an estimated travel time of less than 15 minutes were revised to 15 minutes in light of this feedback.

**Number of avoided trips**

The introduction of DOL will reduce the number of times that businesses have to travel to the SRO Customer Service Counter to lodge documents. Once businesses move to using DOL, it is expected that they will prevent travelling to SRO on days when they submit only DOL type documents.

Using the past transaction data the number of avoided trips was determined by assessing every day of the year for each business to determine the number of days whereby non-mail transactions were processed but no non-DOL non-mail transactions were processed. These were then added up for each business to determine the number of avoided trips.

The stylised table below demonstrates how this was completed in the model. A trip would not be saved on day 1, 3 and 7 as the business would have to attend the SRO to process the non-DOL transaction. A trip would be saved on days 2, 4, 5 and 6, as all the documents processed were able to be processed on DOL. No trip was saved on the 7<sup>th</sup> day because no transactions were processed. While this only shows transactions over 7 days rather than a year, it shows how the analysis was undertaken to determine that in this instance 4 trips would have been saved by this business over the 7 day time frame.

Number of	1 <sup>st</sup> day of year	2 <sup>nd</sup> day of year	3 <sup>rd</sup> day of year	4 <sup>th</sup> day of year	5 <sup>th</sup> day of year	6 <sup>th</sup> day of year	7 <sup>th</sup> day of year	Total
Number of DOL transactions	5	8	5	15	1	0	0	34
Number of non-mail DOL type transactions processed at the SRO Customer service counter	1	0	0	2	2	3	0	10
Number of non-DOL transactions	1	0	6	0	0	0	0	7
Number of avoided trips	0	1	0	1	1	1	0	4

Initially, the number of avoided trips per business varied between 0 and 136.

The number of avoided trips is therefore the highest for businesses that put through DOL type transactions on most days, but do not put through many non-DOL type transactions that would required them to attend the SRO customer service counter regardless.

The number of avoided trips is heavy dependent on the number of days when non DOL type transactions need to be processed at the SRO customer service counter. For instance, one business has 124 non-mail transactions days of which only 5 include non-DOL type documents and hence 119 saved trips. However, another business that has 221 non-mail transactions days, has 192 of those days where non-DOL transactions are processed at the customer service counter, leading to only 29 saved trips.

However if the business saving 119 trips only incurred \$15 per trip in time and travel costs because they were located close to the SRO office, then the total travel savings would be \$1,785. Whereas if the business that only avoids around 29 trips per year incur \$147 per trip in time and travel costs because they are located much further away from the SRO office, then the total travel savings would be \$4,263. This shows how different the travel cost savings can be depending on a number of different characteristics of the business.

Since the introduction of DOL, the SRO has added a number of additional types of documents to the system. SRO also expects to continue to increase the breadth of documents that can be lodged via DOL in the future. Therefore, in the longer term,

lodging parties are estimated to reduce trips to the SRO Customer Service Counter even further.

For the purposes of the modelling, it has been assumed that after the third and fifth years of DOL, the breadth of documents that can be processed online will increase such that the number of days in which businesses process non-DOL type documents will decrease by 25 per cent in both instances (leading to an overall decrease on 50 per cent after year five). This has the effect of increasing the number of avoided trips estimated in the model after year six.

While in practice it is SRO policy intention to gradually increase the number of documents over time (and indeed that are currently undertaking work to ensure this occurs), to simplify the modelling, an adjustment in the third and fifth year has been assumed.

### *3.3.2 Reduced transaction time*

The consultation process suggested that the transaction time for normal lodging businesses is not likely to significantly change between the time it takes at the SRO Customer Service Counter, and the business to input the same data via DOL.

The transaction time for former DRS agent businesses however, it was suggested that the transaction time has improved under DOL by around 8 minutes on average per client (bundle of documents in the SRO data).<sup>11</sup> This saving in time was estimated by multiplying the number of document bundles for each business and the average employee time cost. Estimates were also made about the number of bundles in the DRS data to ensure that transactions that were processed via the DRS software were also included, as it is assumed that these too will be processed via DOL in future years.

### *3.3.3 Reduced reconciliation time*

Reconciliation time costs represent the change in the amount of time taken by former DRS agent businesses to undertake a reconciliation process at the end of each day.

Consultation participants estimated that the reconciliation process had reduced by around 15 minutes per day under DOL. This saving in time was estimated by multiplying the number of businesses and transaction days, by the average employee time cost.

### *3.3.4 Registration, training and other implementation costs*

Consultation participants all agreed that the registration process only took between one to two hours for their business.

Training on the other hand varied significantly depending on the size of the business. Training usually took place both at the SRO and also informal training when the trained staff returned to the office to train others on the new system.

Overall, the average training time was estimated at 37 hours per business. This was multiplied by the average employee time cost (including on-costs and overheads) for each of the former DRS agent businesses.

It is understood that one of the former DRS agent businesses made modifications to they own internal systems that that they could continue to input data into their own system and avoid re-entering it into the DOL system. SRO estimate that this may have cost around \$50,000 as a once of cost in year one. If they had not

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<sup>11</sup> Based on feedback from two consultation participants. As different estimates were given, a mid-point of the two figures was used.

completed this modification, the transaction time for this business compared to the base case may have increased. This \$50,000 has therefore been counted as an implementation cost in the modelling.

### **3.4 Detail of calculations for other businesses**

#### **3.4.1 Avoided travel costs**

Avoided travel costs are expected due to businesses avoiding trips into the SRO Customer Service Counter. This is expected to save on both staff time and transport costs.

See the avoided travel costs in the section above for details on how travel time cost and transport cost have been calculated.

In instances where businesses were more than 60 minutes away (for a one way trip), it was assumed that they would use an agent rather than travel into the SRO Customer Service Counter. Therefore travel costs for such businesses have not been included in the calculation.

#### **3.4.2 Avoided agents costs**

Consultation revealed that businesses in regional areas often use either lodging agents to submit duties documents at the SRO Customer Service Counter on their behalf or DRS agents to stamp documents for them. An estimate of the average agent cost was provided by consultation participants that used agents. Based on the information provided it is estimated that use of agents generally cost businesses around \$16 per document.

While the number of businesses that use agents is not known, it is assumed that businesses with lodging party addresses over one hour away from the SRO Customer Service Counter use agents to lodge transactions. While this might not be true in all instances, assuming that all businesses travel to the SRO office would be likely to overestimate the savings of DOL.

#### **3.4.3 Reduction in overall waiting time**

Waiting time costs are incurred from waiting to be served at the SRO Customer Service Counter (but excludes time spent whilst being served). The introduction of DOL is expected to reduce the number of trips made by some lodging parties and will therefore lead to an overall reduced waiting time cost.

The SRO provided monthly data on the average waiting time for persons attending the Customer Service Counter, categorised as:

- 1 – 2 documents
- 3 – 5 documents<sup>12</sup>
- DRS agents
- Trust deeds.

#### **Waiting times over the implementation period**

There are many factors that contribute to variation in waiting times from month to month, including the number of lodging parties attending the SRO Customer

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<sup>12</sup> This category changed from 3 – 20 documents as of January 2012, and therefore is difficult to use for comparative purposes in the analysis.



Service Counter, the number of documents the lodging parties are presenting to be processed and the number of staff working at the Customer Service Counter.

As property cycles and the number of staff on leave fluctuate from month to month, so too do waiting times. Due to the seasonality of some of these factors (like more documents lodged in December and more staff on leave during January), the data has been adjusted for seasonality to minimise the distortions of these seasonal effects on the analysis.

This data in Table 4 shows the 24 month period before the implementation of DOL and the 12 month period after the implementation of DOL.

**Table 4: Waiting times at the SRO CSC**

	Pre DOL (Oct 2010 to Sept 2011)	Post DOL (Oct 2011 to Jan 2012)	Change
<b>Units</b>	Minutes (seasonally adjusted)	Minutes (seasonally adjusted)	Minutes
<b>1 – 2 documents</b>	9.09	14.74	5.66

Source: SRO data.

This shows that average waiting times having increased by 5.66 minutes on average since the introduction of DOL. It is generally expected that this is due to the additional transaction times of the new DOL system (discussed below).

The 1 – 2 document category is considered by SRO to be the most reliable measure of waiting times, due to the smaller band and high frequency of lodging parties with few documents. This was therefore the primary measure of change in waiting time used in the analysis.

While an additional category of 3 – 20 documents was also present in the data provided by the SRO, this category was changed by SRO to 3 – 5 documents in January 2012. This makes comparisons difficult to make and therefore this category has been excluded from the analysis.

Due to the small number of trust deed transactions relative to other documents, and the difficulty in splitting out these transactions, the change in waiting times for 1-2 documents were used also for trust deeds. As the change in waiting time for both categories were in between six and seven minutes, this is not expected to have a material impact on the analysis.<sup>13</sup>

#### Forward projections of waiting times

While the majority of data from the SRO shows that waiting times have increased on average since the introduction of DOL, recent changes to the Customer Service Counter in March 2013 mean that businesses with 10 or more documents will now drop off their documents rather than wait for service at the counter. This is expected to significantly reduce waiting times for all other users still waiting for service at the counter. Initial data since this change shows that waiting times have already decreased below the pre-DOL average. This data however is influenced by the fact that other staffing changes have also been made.<sup>14</sup> SRO estimate that without these other staffing changes that the waiting times will at least halve when compared to pre-DOL. In fact, it is expected that with the same staffing, waiting times at the counter could less be eliminated altogether.

<sup>13</sup> Due to the slight different in waiting times, using the trust deeds category would actually have the impact of increasing the net benefit.

<sup>14</sup> While changes to staffing at the SRO are continually being made throughout the business, to the extent possible, these changes have been excluded from the impacts of DOL.

This decrease is also expected due to the increase in the number of DOL users increase over time (see discussion on 'uptake' below):

- the percentage of DOL type documents processed through DOL will increase
- the number of documents types that can be processed through DOL will increase.

For the purposes of this analysis however, it has conservatively been assumed that waiting times will halve when compared to the pre-DOL data.

### *3.4.4 Avoided mail costs*

Businesses that previously sent documents into the SRO via the mail, will avoid the mailing costs by using DOL. The change in expected mailing costs were calculated as the number of bundles of documents processed via mail, multiplied by the estimated mail cost and uptake for each business.

The costs associated with lodging documents via the mail were considered to be around one dollar per document.

### *3.4.5 Registration and training costs*

DOL requires that all new users register to use the online system.

New users are required to read material about the DOL system, enter business details, and undertake the initial login. The SRO estimates that this takes a total of around one hour to complete. In addition, businesses generally undertake training, both at the SRO and in-house. Discussions during consultation suggested that on average two to three employee hours was used in undertaking training at the SRO and a further three to six hours might be used in undertaking in-house training to train further employees.

The total cost was calculated as the total registration and training time, multiplied by the value of employee time. This cost was estimated for businesses only in the year in which they first registered.

Registration time is considered to be the time spent reading, inputting data and undertaking the initial login for the DOL system.

Based on information gathered from both SRO staff and through consultation, it is estimated that registering to use the DOL system on average is likely to take one hour.

Training time was estimated to take around 5.5 hours on average for businesses.

## 4 Results

It is estimated that the introduction of DOL will lead to an average net reduction in administrative costs for businesses of around \$1.1 million per annum over ten years as shown in the Regulatory change Measurement Certificate in Table 5.

**Table 5: Regulatory Change Measurement Certificate (\$'000)**

Sector/Cost categories	Business	NFP	Government services	Economic activities of individuals	Total by cost categories
Administrative costs	-\$1,072	\$0	\$0	\$0	-\$1,072
Substantive compliance costs	\$0	\$0	\$0	\$0	\$0
Delay costs	\$0,	\$0	\$0	\$0	\$0
<b>Total by sector</b>	<b>-\$1,072</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$1,072</b>

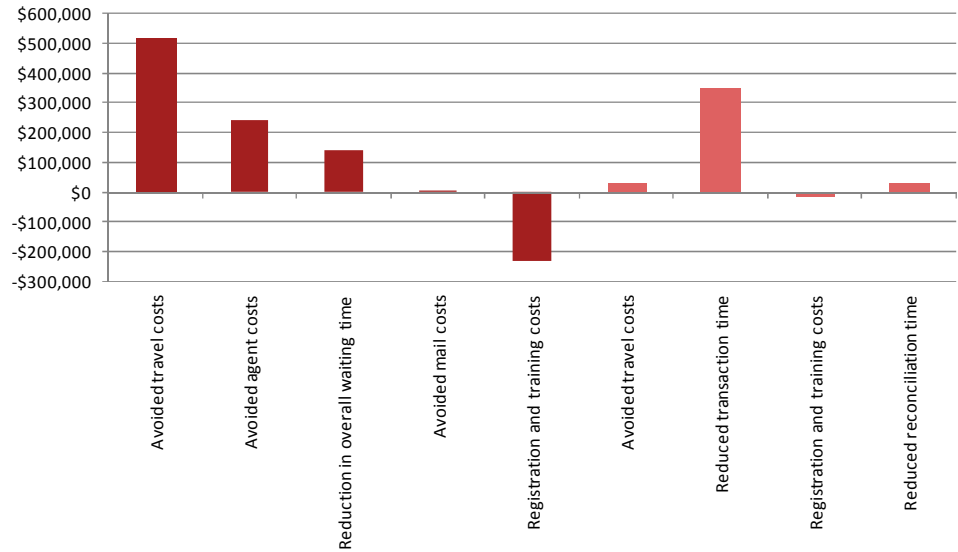
While the extent to which not-for-profit (NFP) businesses lodge documents at the SRO is very difficult to disaggregate in the data, it has been assumed that the extent to which NFP businesses lodge documents with the SRO is not significant. It is not expected that NFP businesses would be operating as conveyance or legal businesses which are most likely to be frequently lodging with SRO.

In a similar manner, no benefits to government services or economic activities of individuals have been quantified. While it might be possible that a small proportion of individuals may be purchasing an investment property and might individually lodge documents with the SRO, these users are unlikely to be registered to use DOL as the system is designed to only be used by businesses.

### 4.1 Segmentation of results

The average net reduction in administrative burden is experienced by both former DRS agent businesses (\$0.4 million) and all other businesses that lodge documents with the SRO (\$0.7 million). Figure 1 shows that the most significant reductions in administrative burden are the travel time savings, avoided agent costs and decreased waiting time for businesses, and reduced transaction time for former DRS agents. This is partially offset by the additional training and registration costs for businesses.

**Figure 1: Average change in administrative burden by type per annum over 10 years**



**Table 6: Average change in administrative burden per annum by impact type and affected business type**

	Former DRS agent businesses	Other businesses
Travel time savings	\$30,346	\$517,189
Transaction time savings	\$345,886	
Additional training and registration costs	-\$9,283	-\$230,202
Reconciliation time savings	\$30,716	
Avoided agent costs		\$240,829
Decreased waiting time		\$140,948
Avoided mail costs		\$5,496
<b>Total</b>	<b>\$397,666</b>	<b>\$674,260</b>

The individual impacts for former DRS agent business are shown in Table 7 and Table 8.

**Table 7: Change in administrative burden by year and impact type for former DRS agent businesses**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Travel time savings	\$0	\$0	\$0	\$18,966	\$18,966	\$37,933	\$37,933	\$37,933	\$75,865	\$75,865
Transaction time savings	\$173,206	\$328,848	\$369,601	\$369,601	\$369,601	\$369,601	\$369,601	\$369,601	\$369,601	\$369,601
Additional training and registration costs	-\$87,477	-\$5,354	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reconciliation time savings	\$25,950	\$31,246	\$31,246	\$31,246	\$31,246	\$31,246	\$31,246	\$31,246	\$31,246	\$31,246

**Table 8: Change in administrative burden by year and impact type for other businesses**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Travel cost savings</b>	\$85,357	\$398,855	\$445,107	\$455,829	\$464,912	\$628,216	\$631,626	\$634,323	\$635,261	\$635,261
<b>Avoided agent costs</b>	\$119,672	\$251,203	\$253,619	\$254,195	\$254,739	\$254,867	\$254,931	\$255,011	\$255,027	\$255,027
<b>Decreased waiting time</b>	\$540	\$105,376	\$130,244	\$131,617	\$132,622	\$181,275	\$181,684	\$181,975	\$182,074	\$182,074
<b>Avoided mail costs</b>	\$230	\$4,453	\$5,749	\$6,040	\$6,281	\$6,369	\$6,434	\$6,462	\$6,470	\$6,470
<b>Additional training and registration costs</b>	-\$111,214	-\$642,989	-\$593,860	-\$323,924	-\$269,937	-\$144,146	-\$107,975	-\$80,981	-\$26,994	\$0



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# *Appendices*

Appendix A Analysis assumptions

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# Appendix A Analysis assumptions

## 1 General assumptions

Assumptions	Value	Source
Average weekly earnings (Victoria)	\$1,365.80	ABS, <i>Average weekly earnings</i> , trend full time adult persons, total earnings, Victoria. ( <a href="http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6302.0Nov%202011?OpenDocument">http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6302.0Nov%202011?OpenDocument</a> . Accessed on 13 March 2013)
Average weekly earnings (Professionals)	\$1,648.90	ABS, <i>Average weekly earnings</i> , trend full time adult persons, total earnings, Australia. ( <a href="http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6302.0Nov%202011?OpenDocument">http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6302.0Nov%202011?OpenDocument</a> . Accessed on 13 March 2013)
Weeks in a year	52	n/a
Hours worked per week	41	Government of Victoria, 2011, Victorian Guide to Regulation – Appendix C, Department of Treasury and Finance, Melbourne.
Weeks worked per year	44	Government of Victoria, 2011, Victorian Guide to Regulation – Appendix C, Department of Treasury and Finance, Melbourne.
Gross up factor for on costs	16.5%	Government of Victoria, 2011, Victorian Guide to Regulation – Appendix C, Department of Treasury and Finance, Melbourne.
Gross up factor for overheads	50.0%	Government of Victoria, 2011, Victorian Guide to Regulation – Appendix C, Department of Treasury and Finance, Melbourne.
Conversion from minutes to hours	60	n/a

## 2 Travel cost

Assumptions	Value	Source
Transport cost per km	\$0.71	This is based on the ATO figures provided for claiming travel costs and is dependent on car size. The per km amount is 63c, 74c and 75c depending on the size of car. In this case the average has been used.
Minimum travel time (one way)	15 mins	Consultation
Travel time to trigger the use of lodging agent	60 mins	PwC assumption confirmed as reasonable during some consultations

## 3 Uptake assumptions

### *Former DRS agent businesses*

Former DRS agent businesses have generally already begun to use DOL with the exception on two, which are expected to move across to the new system in 2013. The uptake assumptions in the modelling therefore reflect the actual date on which most of the former DRS agent businesses began using DOL.

### *Other businesses*

Other businesses are expected to begin to use DOL over a much longer period of time. The most significant factor in terms of the expected uptake by each business is the number of transactions it makes every year. For instance, recent changes to the processing of documents at the SRO for businesses with over 10 documents per



year mean that it is likely that all will begin using the DOL within the next 18 months.

Table 9 shows the assumptions that have been determined in close consultation with SRO for businesses with 10 or more document lodgements per year, between three and nine per year, and one to two per year.

Within each category, year one is based on the actual number that begin to use DOL within the first twelve months. Years 2 to 10 are based on estimates of senior SRO staff that have a good understanding of DOL.

The table sets out how many businesses will begin to use DOL within each category in each year. For the estimated uptake in the future, the model assumes that the most frequent document lodgers will begin to use DOL first, with the least frequent lodgers within each group last.

**Table 9: Uptake assumptions**

Category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
10+	122	641	200	0	0	0	0	0	0	0	963
3-9	65	450	400	250	200	17	0	0	0	0	1,382
1-2	19	100	500	350	300	250	200	150	50	0	1,919
<b>Total</b>	<b>206</b>	<b>1,191</b>	<b>1,100</b>	<b>600</b>	<b>500</b>	<b>267</b>	<b>200</b>	<b>150</b>	<b>50</b>	<b>0</b>	<b>4,264</b>

This shows that SRO expect that all business that lodge at least 10 documents per year will begin to use DOL within the first three years.

Businesses that lodge between three and nine documents per year will likely begin to use DOL within the first six years, and businesses that lodge either one or two documents are likely to begin to use DOL sometime within the first nine years.

The large general spike in year two is expected due to the significant marketing the SRO are currently undertaking to encourage uptake since November 2012. Also, changes in year three in relation to PEXA will mean that some businesses will have difficulty submitting documents without using the DOL system.

