

Our Ref: SU006237

Dr Matthew Butlin
Chair
Victorian Competition and Efficiency Commission
GPO Box 4379
MELBOURNE VIC 3001

Dear Dr Butlin

VCEC assessment of Policy Impact Assessments

I write to request your agreement for the Victorian Competition and Efficiency Commission (VCEC) to assess Policy Impact Assessments (PIAs) prepared under the *Environment Protection Act 1970* (EP Act).

I am keen to ensure that there is appropriate rigour and transparency of analysis of statutory policy and would welcome the independent assessment of PIAs by VCEC. This request follows discussions between EPA and VCEC staff and is consistent with:

- Recommendation 7.1 of VCEC's Inquiry into regulatory barriers to regional economic development
- The recent broadening of Regulatory Impact Statements (RIS) requirements under amendments to the *Subordinate Legislation Act 1994* (SL Act)
- The direction of the Statutory Policy Review being undertaken by DSE and EPA.

I believe it is timely to sort out the review process for PIAs as DSE and EPA are moving to update and streamline statutory policies in the coming years in accordance with the proposed approach of the Statutory Policy Review. Noting that there has been no new or amended statutory policies requiring a PIA to be prepared since 2002/03, I expect that going forward there will be in the order of one or two PIAs prepared in any given year.

I propose that the following principles for assessment of PIAs should apply:

- The assessment criteria and process must comply with the PIA requirements set out in the EP Act
- As far as is possible, the assessment criteria and process should be consistent with the criteria and process for assessing RISs.

Further detail on the proposed assessment criteria and process for PIAs is attached.



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I see VCEC review of PIAs as a sensible step towards ultimately bringing the process for making statutory policies under the SL Act and thereby requiring a RIS to be prepared instead of a PIA, noting that this would require amendments to the EP Act.

Please advise me as to whether you agree to VCEC undertaking the role of assessing PIAs and the proposed assessment criteria and process. The intention would be to review these arrangements within 2 years to assess their effectiveness.

Once agreed, we propose that this agreement be placed on the EPA and VCEC websites.

If you would like further information, please do not hesitate to contact Mr Shaun Green, Senior Program Manager, Regulatory Reform (9695 2760).

Yours sincerely



JOHN MERRITT
CHIEF EXECUTIVE OFFICER

29/16 /2012

cc: Brendan Flynn, Deputy Secretary, Economic and Financial Policy Division, Department of Treasury and Finance

Paul Smith, Executive Director, Environmental Policy and Climate Change, Department of Sustainability and Environment