



CONSULTATION
REGULATION IMPACT STATEMENT

Proposal for national licensing
for
property occupations

The Council of Australian Governments' National Licensing Steering Committee has prepared this Consultation Regulation Impact Statement, with assistance from PricewaterhouseCoopers. Its purpose is to seek comment from stakeholders and the wider public on a proposal for national licensing for property occupations. Submissions are invited by **21 September 2012**.

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This is the first stage of a two-stage Regulation Impact Statement (RIS) process which includes a Consultation RIS followed by a final Decision RIS.

The purpose of this Consultation RIS is to seek stakeholder views on the costs and benefits of options associated with national occupational licensing reform to assist the Council of Australian Governments (COAG) in its decision making on reform paths and to support the preparation of a Decision RIS in the second half of 2012. Specific questions have been highlighted in the text of the Consultation RIS.

This Consultation RIS is a mechanism to gather stakeholder views on reform paths as well as to provide an indication of the preliminary assessment of costs and benefits. It does not necessarily reflect the views of any particular jurisdiction. Consultants were commissioned by the COAG National Licensing Taskforce to prepare the Consultation RIS, and it incorporates views that have been brought to the attention of the consultants. Extensive information has also been provided by jurisdictions on the costs and benefits of policy approaches and the detail of the licensing arrangements in each jurisdiction.

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About this Consultation Regulation Impact Statement

The purpose of this Consultation Regulation Impact Statement (RIS) is to seek stakeholder comment on the policy underpinning the draft legislative schema for the establishment of a national licensing system for the property occupations. The Consultation RIS also seeks stakeholder views on an automatic mutual recognition option.

In doing so, it will identify the nature of the problem to be solved, identify alternative policy options and assess the costs and benefits of these options. The Consultation RIS will seek relevant information that will assist the government decision-making processes to identify the best option for a national approach to licensing property occupations.

This Consultation RIS follows the Council of Australian Governments (COAG)'s guidelines in the *Best practice regulation handbook*. It has been approved for release by the Office of Best Practice Regulation and provides a valuable means through which government and other stakeholders can consider policy and regulatory options in a focused way. Stakeholder feedback will inform the content of a Decision RIS on the proposed introduction of national licensing, which will be released later in 2012.

It should be noted that a Consultation RIS is required to canvass both regulatory and non-regulatory approaches, and to include a status quo or 'no change' option (recognising that not all problems have a cost-effective solution through government action).

PricewaterhouseCoopers has been engaged by the COAG National Licensing Steering Committee to assist with the preparation of this Consultation RIS.

Opportunities to comment on this Consultation Regulation Impact Statement

The COAG National Licensing Steering Committee is seeking input from stakeholders and the wider public on the proposals outlined in this Consultation RIS. This Consultation RIS is subject to a minimum six-week consultation period, and the steering committee welcomes feedback on the proposed options for implementation and any other aspect of the document. The closing date for submissions to this Consultation RIS is **21 September 2012**. This date may be extended; please check the [national licensing website](http://www.nola.gov.au) (www.nola.gov.au) for information. Attachment A contains instructions on how to provide a submission.

Summary of options canvassed in this Consultation Regulation Impact Statement

National licensing

National licensing for property occupations across Australia has the potential to deliver significant ongoing net benefits (see Table S.1). Most benefits of national licensing go to business, workers and consumers. There are one-off costs, including costs to licensees and businesses to become aware of the proposed changes, and costs to government for the establishment of the National Occupational Licensing Authority and the public national licensing register and its supporting database. How these costs will be covered is a matter for individual jurisdictions to determine and may, in some cases, be passed on to licensees via increased fees. This Consultation Regulatory Impact Statement indicates that the benefits of the reform outweigh these costs.

In comparing the total benefits and costs across all stakeholders, it would take less than a year for the benefits of the reform to start exceeding the costs nationally, and the benefits of the reform would continue to be realised after the initial 10 years presented in this analysis. Based on an indicative modelling exercise, a range of indicators show that these reforms are worthwhile, as can be seen in Table S.1.

Table S.1: Net benefits of reforms to national licensing for property occupations, by jurisdiction

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Ongoing net impact (\$m per annum)	34.13	0.75	5.79	29.49	4.92	0.51	1.34	1.81	78.73
Community (licensees, business, households)	26.76	(0.46)	3.02	22.05	3.58	0.32	0.93	1.26	80.78
Government ^a	0.75	0.78	0.50	0.71	0.15	0.09	0.15	0.14	(2.05)
One-off transition costs (\$m)	(3.04)	(2.14)	(2.93)	(2.37)	(1.01)	(0.70)	(0.58)	(0.59)	(13.35)
Community (Licensees, business, households)	(2.01)	(0.79)	(1.63)	(1.20)	(0.25)	(0.02)	(0.06)	(0.06)	(6.03)
Government	(1.04)	(1.35)	(1.29)	(1.16)	(0.75)	(0.68)	(0.51)	(0.53)	(7.33)
Total 10-year NPV (\$m)	218.75	2.63	34.75	189.43	30.95	2.63	8.17	11.19	498.50
– excluding NOLA	222.19	5.72	37.39	191.10	32.16	3.32	8.50	11.61	512.00
Benefit–cost ratio of the total 10-year NPV	11.26	1.10	6.29	59.12	14.44	3.65	5.15	15.50	8.76
Payback period (years)	0.09	2.85	0.51	0.08	0.20	1.38	0.43	0.33	0.17
Rate of return (annualised percentage)	1121%	35%	198%	1246%	489%	73%	232%	307%	590%

NPV = net present value; NOLA = National Occupational Licensing Authority

^a The analysis does not account for changes in GST, payroll or other taxes. As some of the community benefits will be consumed as expenditure or enjoyed as higher wages, there will be an increase in GST and payroll revenues.

Automatic mutual recognition

An alternative to national licensing is automatic mutual recognition, which would enhance the ability for some labour to flow where it is most needed, with lower transitional costs than envisaged under national licensing. There is the potential for this option to capture other benefits that have been identified under national licensing. The downside of automatic mutual recognition is that the benefits that are likely to flow from the agreed establishment of the licensing authority are not guaranteed. Furthermore, without ongoing coordination and impetus to maintain and build on the initial reforms, there is a risk that automatic mutual recognition may only provide one-off selective reductions in regulatory burdens that may be eroded over time.

Executive summary

Purpose of the Consultation Regulation Impact Statement

The purpose of this Consultation Regulation Impact Statement (RIS) is to seek stakeholder views on the policy underpinning the draft legislative schema for the establishment of a national licensing system for the property occupations, and in particular a response to the questions provided. The Consultation RIS also seeks stakeholder views on an automatic mutual recognition option.

This Consultation RIS examines the impact of replacing the current diverse state and territory licensing of the property occupational area with the proposed national licensing approach. It also examines an automatic mutual recognition option. It considers the impact that both options would have on industry, consumers and government. The Consultation RIS also acknowledges that the status quo would be the default option.

This Consultation RIS builds on previous consultation findings that were supportive of a national licensing system and subsequently endorsed by the Council of Australian Governments (COAG) through the signing of the Intergovernmental Agreement for a National Licensing System for Specified Occupations, passage of the *Occupational Licensing National Law Act 2010* (National Law), establishment of the National Occupational Licensing Authority and appointment of the board. Accordingly national licensing is considered as the preferred option in the Consultation RIS. However, as previous consultation did not provide any cost–benefit analysis of an alternative automatic mutual recognition option, this Consultation RIS seeks stakeholder feedback on:

- the preferred approach in light of fuller information on how both models would work and the potential costs and benefits of each option
- the detailed proposal of how national licensing would be implemented, including seeking specific feedback on how this can be best achieved.

This executive summary provides a snapshot of the key features, rationale and costs and benefits for the following options:

- national licensing (preferred option)
- automatic mutual recognition.

The full overview of national licensing and the automatic mutual recognition model can be found in Chapter 3. Chapter 4 contains the impact analysis of national licensing and automatic mutual recognition, with quantification of impacts where possible. Implementation of the preferred national licensing option is discussed in Chapter 5. A summary of how the proposed arrangements compare to current jurisdictional licences is provided in Attachment B.

Stakeholder feedback

Stakeholder feedback is sought on the scope and scale of the proposed changes, examples of the impact on licensees and businesses, on the durability of reform, and on the merits of reform under the different models for promoting a seamless national approach to licensing of property occupations. For details on how to comment on the Consultation RIS and the closing date for submissions, see Attachment A.

Government objectives for reform

COAG has agreed to pursue wide-ranging regulatory reform in order to increase Australia's productivity and provide the environment for a seamless national economy.

As part of these reforms, COAG has agreed to develop a National Occupational Licensing System (national licensing) for certain occupational areas. National licensing would allow licensees to perform regulated work anywhere in Australia while holding a national licence. This proposed system would replace current arrangements where each state and territory licenses an occupational area in a different way. A national licensing system would involve certain occupational and associated business licensing in the following initial occupational areas and would be introduced in two waves:

- *first wave*: electrical; plumbing and gasfitting; property; refrigeration and air conditioning
- *second wave*: building and building-related occupations; valuers and conveyancers.

The first-wave occupations are scheduled to commence licensing from 2013, and the second-wave occupations are anticipated to commence in 2014. National licensing would have the capacity to extend to other licensed occupations over time and provide a platform on which further harmonisation of state-based licensing arrangements, such as conduct requirements, could be considered.

The move to a national licensing system was initially agreed by COAG in the intergovernmental agreement signed in April 2009. Since then, arrangements for the national framework legislation (the National Law) have been implemented in most jurisdictions (New South Wales, Victoria, Queensland, South Australia, Tasmania and the Northern Territory) to establish the national licensing system.

Western Australia will consider its position on the passage of the Bill following the consultation period. The Australian Capital Territory has reserved its right not to implement national licensing if the costs to the Territory outweigh the benefits.

During the policy development process, it became clear that some amendments to the National Law will be required. The release of a draft Amendment Bill and draft regulations will coincide with the consultation period to allow for public comment to also occur on these.

A copy of the National Law can be found on the [national licensing website \(www.nola.gov.au\)](http://www.nola.gov.au).

Property occupations are important to the economy

The property industry in Australia includes a large number of property occupations, such as real estate agents, business agents, strata managers, property managers and auctioneers.¹ In 2011–12, the industry is expected to generate revenue of \$9 billion, the majority of which is derived from residential sales (56.4 per cent), with revenue from residential property management and non-residential property sales being the next largest contributors.²

Based on information provided by jurisdictional regulators, there are over 126,000 property licensees across Australia, as shown in Table ES.1. Approximately 75 per cent of licences are issued in New South Wales, Victoria and Queensland.

Further information on the property industry is available in Attachment C.

¹ The industry also includes conveyancers and valuers, which will be covered in the second tranche of national licensing occupations.

² IBISWorld 2012, *Industry Report L7720: Real estate agents in Australia*, March 2012.

Table ES.1: Number of existing licensees per jurisdiction and nationally, as of March 2012

Number of property licensees	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Total existing licensees	40,422	18,446	38,342	21,742	5,114	357	1,573	966	126,962
Percentage of national	32%	15%	30%	17%	4%	0.3%	1%	1%	100%

Note: These figures do not reflect the total property occupations' workforce for some jurisdictions where some property occupations are not licensed (see Attachment E for an overview of current licensed categories).

Reform can benefit property occupations by overcoming current problems

Property occupations are currently licensed under state and territory legislation and administered by jurisdictional regulators. All jurisdictions have some form of licensing, though the approach to licensing varies across jurisdictions. Property agents wishing to work across multiple jurisdictions are required to obtain the relevant licence or licences in each of those jurisdictions through a process of mutual recognition.

Recent reforms to mutual recognition for the licensed property occupations, while beneficial in some respects, have not:

- removed the need for licence holders to apply for a new licence when they wish to work in a different state or territory
- eliminated the cost to licence holders of holding multiple licences. These costs include licence fees and costs of licence renewal, as well as costs associated with keeping up to date with various skills- and non-skills-based licence requirements. In addition, there are productivity costs to businesses due to processing time and administration
- harmonised the eligibility requirements for licences across jurisdictions. For example, similar licences may vary considerably in terms of skill, managerial or experience requirements, qualifications, nominees, state-based competency testing, or the requirement to work under supervision before a full licence can be granted
- harmonised licensing frameworks. Many existing licences are not readily comparable or transferable across jurisdictions and a number of endorsements or restrictions may be required to achieve equivalence across jurisdictions
- stemmed the ability for jurisdictions to unilaterally change licence categories, scopes of work, qualification or eligibility requirements.

Furthermore, not all licences have an equivalent licence in other jurisdictions, and some occupations (or areas of work within occupations) are not licensed in all jurisdictions. In these cases, individuals may be required to be licensed where they were previously not required to be, or they may need to apply for a new licence because there is no equivalent to the licence that they currently hold. In addition, mutual recognition creates a large number of conditioned or restricted licences as jurisdictions attempt to issue an equivalent licence. Furthermore, ministerial declarations of equivalency must be updated annually in order to remain current; therefore, maintaining those declarations incurs an administrative cost.

The Productivity Commission reviewed mutual recognition in 2003, and again in 2009. The commission found in both reports that, on the whole, mutual recognition had reduced impediments to labour mobility. In particular, it found that 'mutual recognition appears to be associated with a modest increase in the number of interstate arrivals in registered occupations compared with other

occupations³. The commission did, however, identify some problems with the day-to-day operation of mutual recognition. Those included the failure of some regulators to apply mutual recognition correctly, and the complications created by conditions and restrictions placed on licensees when they move across jurisdictions. In both reports it made recommendations for improvements.

The Productivity Commission supported the development of nationally uniform licensing requirements and national registration systems for occupations that were highly mobile across jurisdictions, where licence requirements between jurisdictions were significantly different, and where the benefits would justify the costs.

The state and territory based approach to licensing of the property occupations means that there are up to eight different approaches to setting licensing requirements. Analysis of these requirements has found that not all meet best practice regulation standards – that is, they cannot be justified as being necessary to achieve the regulatory objective for property occupations. There are examples of:

- the scope of regulation being broader than may be necessary – for example, licensing work that may not need to be licensed, such as licensing the sale and purchase of livestock, which could be perceived as unnecessary
- the level of skill requirements being higher than may be necessary – for example, requiring a Certificate IV level qualification for an agent’s representative when a skill set comprising specified units of competency appears to address risks
- other requirements that are not consistent with the regulatory objective (judged by their relevance to the objective) – for example, duplicate testing of qualified applicants that occurs in some jurisdictions.

The current approach, therefore, leads to:

- costs to property agents and businesses in the form of financial and time costs associated with maintaining a multiple jurisdiction approach to licensing and meeting a range of regulatory requirements (not all of which are necessary)
- reduced efficiency impacts on households and the economy more broadly where the current regulatory approach creates impediments to mobility of labour and imposes unnecessary regulatory burdens.

These are discussed in turn below.

Administrative burden on licensees

Under current licence requirements, a licence holder must apply for a new licence if they wish to work in more than one state or territory. While mutual recognition arrangements mean that a person is entitled to a licence for the same scope of work in a second jurisdiction, this involves payment of additional licence fees. Subsequently, that person must also periodically renew those licences, again involving payment of additional fees. This is the case even when mutual recognition of a licence is granted (i.e. when a regulator determines that the applicant has an equivalent licence). This creates an impost for licensees, particularly if they work in a border area.

Fees charged by jurisdictions vary across licence categories for essentially the same occupational area. While the fees recover costs for regulatory activities undertaken by each of the states and territories, property licensees who are working in multiple jurisdictions pay those costs many times.

3 Productivity Commission 2003, *Evaluation of the mutual recognition schemes: research report*, p. 40.

Inconsistent and unnecessary requirements

A number of examples from the property occupations show inconsistent regulatory requirements across jurisdictions and areas of regulation that do not have a strong rationale (given stated regulatory objectives).

Licences issued in different jurisdictions for the same occupational area often have different parameters, eligibility requirements and scopes of regulated work. Different licence classifications, training requirements, licence periods and licence structures commonly apply. These differences can impose costs on those businesses that operate in multiple jurisdictions, as shown in the case study in Box ES.1.

Box ES.1: Case study of an agent's representative dealing with different eligibility requirements

Dear Sir/Madam,

I previously worked as an 'Agents' Representative/Sub Agent' in residential real estate in Victoria from 3/2004 – 12/2006.

I am now living in another jurisdiction and I am being told by the regulator I have to virtually re-do all my study in order to work over here. They say because I did not hold a 'Full' Real Estate Agent's Licence in XXX my qualifications are not recognised here. The regulator in my home state has told me I am legally able to resume work as an Agent's Rep/Sub Agent there at any time up until 10 years from the last day of my last employment, i.e. 10 years from 15/12/2006.

Can you please tell me why I cannot begin work here in the new state immediately? I believe Commonwealth laws override State ones and Section 17 of The Mutual Recognition Act guarantees this.

Source: Query received through the [Licence Recognition website](#) inbox and supplied by the National Occupational Licensing Taskforce.

Note: Victoria operates an employer-administered registration scheme where the employer assesses the eligibility of an agent's representative (employee) and advises the regulator of commencement or ceasing of employment so that a public register contains the current employment status.

Barriers to the mobility of labour

Labour mobility is defined as the extent to which labour is free to move around the economy in response to opportunities in the marketplace. Labour mobility has important economic benefits. When workers are able to relocate to regions and firms that have prospective employment opportunities, there are benefits to both the individual and the economy more broadly:

- Individuals benefit by being able to take advantage of new employment opportunities that will provide them with financial and/or lifestyle benefits.
- The economy benefits through the efficient allocation of resources where they are most highly valued (and, therefore, where they will provide the greatest return to the economy).

A complex set of factors can influence the mobility of labour in an economy. Even when there are employment opportunities for workers across the economy, the extent to which these will be filled is influenced by the cost of moving, and the availability of factors like housing and schools in a region.

Mutual recognition is intended to improve labour mobility for licensed occupations by reducing regulatory barriers for individuals to move to a new jurisdiction and work in their chosen occupation. As the Productivity Commission concluded in its 2009 review of mutual recognition, this has occurred to some extent, but there remains room for improvement.

One of the key considerations for this analysis is not the extent to which regulations directly impede the mobility of labour, but how much they increase the cost of moving. Mutual recognition has

worked towards reducing these costs, but, as noted above, costs of multiple application fees and additional training and conditions still apply for property occupations. In making employment decisions, each individual will have a ‘threshold cost’ of moving to a new position in another jurisdiction – whether that be a permanent or a temporary move. Box ES.2 illustrates a person’s hesitation to expand business prospects due to the cost of holding multiple licences.

For property occupations, the realisation of labour mobility benefits may depend on the extent to which local knowledge affects a licensee’s ability to compete in another jurisdiction. While this may limit some licensees from becoming more mobile in the property market, there would still be greater opportunity to work in border towns, generate more integrated national practices and work in jurisdictions with high demand for property services.

This Consultation RIS uses more recent estimates on labour mobility drawn from the Productivity Commission, which are discussed below.

Box ES.2: Case study of business prohibited from expansion due to the cost of multiple licences

I am starting a Real Estate buyer’s agency business. I would like to source property for clients throughout Australia, not just Queensland and am therefore extremely interested in the implementation of National Licensing for Real Estate Agents. I realise that current licenses will automatically transition to a National Licence upon implementation. I see that the implementation for the first wave which includes Real Estate Agents is still listed to commence on 1st July 2012. Is this still on track as your NOLA website is very light on info re current developments? This transition will be very important to my business, affecting my ability to expand outside of Qld and I am trying to plan for that with the 1st of July 2012 in mind. If it doesn’t occur, I then have to apply for licences in every State and Territory of Australia which would be too cost prohibitive.

Source: Text taken from the Licence Recognition website inbox and supplied by National Occupational Licensing Taskforce.

Approaches to realising potential gains from reform

Background and progress

The *Intergovernmental Agreement for a National Licensing System for Specified Occupations* was signed in April 2009. It authorised the establishment of a national licensing body that would develop policy and administer the national licensing system. The agreement specifies arrangements for:

- the appointment of a chief executive officer and a national licensing board
- the establishment of occupational licence advisory committees as the principal source of advice on licence policy for the occupational areas
- consultation with stakeholders to ensure that the national licensing board is able to provide authoritative advice to the Ministerial Council
- the establishment of effective working relationships with jurisdictional regulators for each occupational area to promote effective coordination and to assist in the ongoing implementation of and issues associated with national licensing.

The passing of the National Law in 2010 enabled the establishment of the National Occupational Licensing Authority (licensing authority). In March 2012 the National Licensing Board was appointed, with Elizabeth Crouch as chair. (See Attachment D for full membership.) It has been agreed that the licensing authority will be established in Sydney.

While the considerable progress to date in establishing a national licensing system has been predicated on the national licensing option, feedback is also sought on the automatic mutual recognition option as an alternative approach to licensing reform.

Given that the automatic mutual recognition option (driver's licence model) was not costed in the 2009 Decision RIS, it is considered prudent to revisit this model to determine whether it is a viable alternative. Accordingly, this Consultation RIS presents the advantages and limitations of an automatic mutual recognition option in this report (see Box ES.5), for further comment by industry stakeholders, government, consumers and the wider community.

This Consultation RIS, therefore, examines two broad approaches.

National licensing

A national licensing system would provide a single policy approach to licence categories, regulated work and the eligibility requirements to obtain property licences. This would allow a person to work anywhere in Australia where the relevant work is licensed, without having to reapply for a licence or pay an additional fee. A national public register would be established.

Automatic mutual recognition

Under an automatic mutual recognition approach to national licensing, each jurisdiction would continue to issue licences against existing jurisdictional categories and associated scopes of work, but the majority of those licences (where a licence equivalency has been declared) would be recognised by every other state and territory without the licensee having to reapply for a licence or pay an additional fee.

Under both of these options, property licensees would need to meet the compliance requirements in the jurisdiction in which they work, but they would be free to choose where they work with no further licensing once the initial licence was obtained.

No licensing

An option involving the removal of all licensing requirements for property occupations has been ruled out on the basis of the likely adverse impact on consumer protection, and public and industry confidence. The majority of the work in the property sector is on behalf of a non-associated party. The work involves transactions relating to the sale, purchase, exchange, or leasing of real property. Often large sums of money can be exchanged or held in trust. Identified risks associated with this work include; theft of monies held in trust, acceptable appraisals of property, timely completion of sale or contracts. See Attachment F for further information on the risks associated with the property occupations.

Proposed areas of deregulation

There are number of examples of inconsistent regulatory requirements for property occupations across jurisdictions, and areas of regulation that do not have a strong rationale for inclusion. The COAG National Licensing Steering Committee identified 11 key areas as imposing unnecessary requirements on licence holders. These are:

- licensing of non-residential property work
- licensing of the sale, purchase and auctioning of livestock
- licensing of trainee auctioneers (currently in Queensland)
- registration of strata manager's representatives (currently in New South Wales)
- separate licence categories for buyer's agents and stock and station agents (currently in New South Wales)
- a separate licence category for property management (currently in New South Wales, Australian Capital Territory and Tasmania)

- pastoral house licences (currently in Queensland)
- licensing of residential (holiday) letting for periods under 90 days (currently in Queensland)
- diploma qualification requirement for real estate agents
- Certificate IV qualification requirement for an employee (agent’s representative)
- mandatory continuing professional development (New South Wales, Western Australia, Tasmania and the Australian Capital Territory).

Jurisdictions also have different approaches to the imposition of licence conditions. In considering what conditions might be relevant in a national system, a number of redundant existing conditions have been identified.

The rationale for the areas of deregulation proposed under national licensing is discussed throughout Chapter 3. The chapter also seeks feedback on a ‘lighter approach’ registration scheme that could be used for some licence categories. In addition to these key areas, there are a range of other elements proposed for deregulation. These are presented in the context of the summary of existing and proposed licensing arrangements in Attachment B.

Further opportunities for deregulation

Licensing of certain categories of work

All jurisdictions currently license real estate agents. Business agency work is regulated in all jurisdictions through a separate licence category or captured in the scope of a real estate agent’s licence. Agent’s representatives are licensed in all jurisdictions except Tasmania. All jurisdictions license the auctioning of real property. In some cases this forms part of the scope of work for a real estate licence or is an endorsement on a real estate agent’s licence or stock and station agent’s licence if competency is demonstrated. In other cases a separate auctioneer’s licence is required. Not all jurisdictions require a licence for the auctioning of livestock. The licensing of strata managing agents occurs differently in the four jurisdictions that currently license them.

This Consultation RIS seeks stakeholder views on:

- where an activity is broadly licensed or registered, whether the ‘lightest touch’ approach should be considered
- for general features of licences (such as licence period), whether the least onerous approach could be considered.

Chapter 3 examines some situations where there may be opportunities for further deregulation of the property occupations.

National licensing – overview of key features

National licensing involves each of the jurisdictions agreeing to a common set of licence categories and eligibility requirements so that there is one system and agreed set of requirements operating throughout the country. Key features of national licensing are set out in Box ES.3.

Box ES.3: Key features of national licensing for the property occupations

- A licensee would be able to work anywhere in Australia without having to reapply or pay for a licence when they move to another jurisdiction within Australia.
- A central licensing authority would be responsible for developing (with Ministerial Council approval) national licence policy for each occupational area and would oversee its consistent application by jurisdictional regulators. National licence policy includes:
 - the licence categories that should apply
 - the regulated work that can be undertaken by the holder of a licence category
 - who can apply for a licence (e.g. individuals, individuals in a partnership, sole traders (unincorporated business) and corporations)
 - skilled and non-skilled eligibility requirements (e.g. qualifications, personal and financial probity)
 - other licence characteristics (e.g. exemptions or exclusions)
- Jurisdictional regulators would administer the system as delegates of the licensing authority.
- A jurisdiction would not be required to introduce licensing where it does not already do so. However, if licensing is introduced in the future, a national licence would be issued.
- Current state and territory licensees would be deemed across to the new system at its commencement on the basis of ‘no disadvantage’ in terms of the scope of work a licensee would be able to perform.
- Licence fees would continue to be set by jurisdictions and paid only to the licensee’s primary jurisdiction.
- A licensee’s primary jurisdiction would be determined by place of residence for individual licence holders and place of business for business licences issued to corporations.
- Current requirements for mandatory continuing professional development would be removed.
- There would be no requirement for retesting at licence renewal time – retesting would apply when a licence has lapsed for a period greater than three years.
- There would be standard qualification and eligibility requirements across all jurisdictions and there would be no experience requirements for obtaining a licence.
- A range of unnecessary licence conditions would be removed.
- Personal and financial probity requirements would be made consistent.
- Licensees choosing to work in an additional jurisdiction would still need to comply with any relevant jurisdiction-specific conduct and compliance requirements that apply to work they intend to perform.

Impact on licences and licence categories

Under national licensing, a set of nationally uniform licence categories for the property occupations has been developed. The proposed licence categories that would apply to specified regulated work are:

- real estate agent
- business agent
- strata managing agent
- auctioneer
- agent’s representative.

A number of these proposed categories (business agents, strata managing agents and auctioneers) are not currently licensed separately in some jurisdictions. See Attachment E for more information on current licensing arrangements.

Licence periods

The National Law provides that a licence may be granted for a period of up to five years. Following consultation with jurisdictions, one- or three-year licence periods are being proposed and would be available for all licence types, including property agent’s representative registration.

Currently, licence periods across jurisdictions range from one to perpetual, as shown in Table ES.2. Licensees in states and territories with a set licence period of one year would gain a direct benefit from being able to choose to obtain a licence for three years under national licensing.

Table ES.2: Current licence period in each jurisdiction

Jurisdiction	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Licence period	1	1 ^a	3	3	1	Perpetual	1	1

^a Estate agents and owners’ corporations in Victoria are subject to a perpetual licence with an annual statement. In addition, licence periods are not applicable for property agent’s representatives in Victoria because they are subject to an employer registration scheme rather than being licensed by the regulator.

It is acknowledged that licensees in Tasmania with a perpetual licence period would incur a cost from having to renew their licence every three years. Similarly, the regulator would spend more time in processing these licence applications more often.

Chapter 4 provides an analysis of the three-year licence period. Given the variation in current licence periods, Chapter 4 also provides a costings comparison on five-year and 10-year periods to illustrate the potential benefit of a longer licence period. Stakeholder feedback is sought to assist with the determination of the best licence period for national licensing. The agreed licence period or periods would apply to the full range of occupations captured under national licensing, not just the property occupations.

There will be a five-year transitional period to national licensing. During that time, licensees can work in all jurisdictions, as they are effectively deemed to have a national licence and will not be required to obtain one ahead of the expiry of their current licence.

Impact on fees

An analysis of the approach to fee-setting by jurisdictions indicates that fee levels may vary depending on a number of factors, including whether:

- fees are set on a cost-recovery basis or are subsidised by government
- fees pay for the compliance and inspection regime
- fees pay for other administrative and communications costs
- fees cover contributions towards costs of courts and tribunals for licensing, compliance or consumer-related matters.

The concept of setting a uniform national fee for each national licence was explored. However, the introduction of uniform fees would alter existing fees in many jurisdictions, and, depending on which of the above factors were included in the determination of a national fee, a uniform fee may affect the ability of some jurisdictions to continue to fund existing activities (without potentially introducing new or increasing state-based fees, charges or penalties).

As a consequence, licence fees will be set in jurisdictional legislation, and it is likely that they will continue to differ across jurisdictions. It is proposed that licensees will pay their licence fee and renewals according to their primary place of residence or, in the case of an applicant being a body corporate or a person who is a member of a partnership, the jurisdiction in which the body corporate or partnership's principal place of business is located.

Jurisdictions collectively received facilitation payments of \$100 million in 2008–09 to progress the 27 COAG reforms for a seamless national economy, including national licensing. Reward payments of \$200 million are payable upon achieving milestones in 2011–12 and a further \$250 million in reward payments is available for achieving milestones in 2012–13. It is likely that some of these payments will address costs of implementing national licensing in jurisdictions, thus minimising passed-on costs to business and individuals. There are also ongoing costs to maintain the licensing authority and the national licensing register. How these costs will be covered is a matter for individual jurisdictions to determine and may, in some cases, be passed on to licensees through increased fees. This Consultation RIS indicates that the benefits of the reform outweigh these costs.

Responsibilities of the national authority and jurisdictional regulators

Under the national licensing option, the licensing authority would have two key roles. One is to be the central coordinator of future policy consideration and reforms (beyond licence harmonisation), including overseeing the consistent application of policy by jurisdictional regulators (as delegates); pursuing ongoing reform of licences, including to decrease regulatory burden, as technology and industry practices change over time; reviewing occupational licensing policy over time; and overseeing the introduction of additional occupations. The second role is to maintain the national public licensing register and its supporting database. The key benefits associated with the licensing authority are not directly associated with licensing functions per se (see Figure ES.1), but rather flow from the enhanced regulatory oversight of the sector and nationally coordinated and streamlined policy development.

Specifically, the licensing authority would have responsibility for the national licensing legislation, but would delegate to the jurisdictional licensing agencies the operation of licensing services, e.g. processing applications and carrying out enforcement and compliance activities. States and territories could use existing staff and infrastructure for these licensing functions but would incur additional IT costs to interface their licensing systems and data with those of the licensing authority. Service agreements between the licensing authority and the jurisdictional licensing agencies would be used to establish consistent service delivery standards across Australia.

Figure ES.1: Responsibilities of the licensing authority and the delegated jurisdictional regulators



Automatic mutual recognition – overview of key features

Another option to address the issues of labour mobility and regulatory burden associated with licensees operating across jurisdictions is to allow the occupational licence granted in one jurisdiction to automatically allow the licensee to work across all jurisdictions. This option is similar to the arrangements that apply to a driver's licence, where a licence in one jurisdiction entitles the bearer to drive anywhere Australia.

The key difference between this approach and national licensing is that licensing variations at the state and territory level – in terms of licence categories and requirements – would not necessarily be harmonised. While jurisdictions could agree unilaterally to change and bring licensing obligations into line, this approach does not require such an outcome. In fact, this is both a benefit (in that state and territory autonomy is maintained, and transition and implementation costs are minimised) and a cost (in that the potential to remove unnecessary obligations and adopt positive national changes is not guaranteed, nor is it clear how existing COAG arrangements would efficiently alleviate confusion and regulatory creep for licence categories that fall outside those considered equivalent). For those reasons, this model does not fully achieve harmonisation of licence eligibility requirements or facilitate future harmonisation of conduct requirements. This approach does, however, focus on the intent of the Intergovernmental Agreement for a National Licensing System for Specified Occupations and COAG, at least in part, by promoting greater labour mobility. This option could be enhanced by jurisdictions unilaterally agreeing to harmonise some licensing requirements.

For the purpose of determining the impact of the option, Box ES.4 sets out the key features of automatic mutual recognition.

Box ES.4: Key features of automatic mutual recognition for the property occupations

- A licensee would be able to work anywhere in Australia without having to reapply or pay for a licence when moving to another jurisdiction within Australia, where an equivalent licence has been declared.
- Amendments to jurisdictional legislation would create the automatic right to work across jurisdictions in specified licence categories, some of which would be prioritised, for example where the scope of work is substantially the same and the work is licensed in all jurisdictions.
- Changes would be required to accommodate business licences issued to corporations and partnerships as mutual recognition is designed around an individual's occupational licence. Without any changes to mutual recognition, this option would not include any business licensing.
- Jurisdictions would need to continue to cooperate on standardising requirements for the remaining classes for inclusion (where practicable).
- Mutual recognition processes would continue for those arrangements that could not be standardised.
- Regulators may need to develop and agree on new systems for compliance to ensure that they are able to oversee licence holders from other jurisdictions.
- A limited central register of disciplinary actions would need to be established to enable jurisdictional regulators to be aware of any pending action, disciplinary actions underway, etc.
- Licensees choosing to work in an additional jurisdiction would still need to comply with any relevant jurisdiction-specific conduct and compliance requirements that apply to work they intend to perform (as is the case under the status quo and national licensing).
- As licensing functions would remain with existing jurisdictional regulators there would be no need to establish and fund a national licensing body.

Question: In view of the key features outlined in Boxes ES.3 and ES.4 which is your preferred model for licensing reform:

- i. National licensing
- ii. Automatic Mutual Recognition (AMR)
- iii. Status quo
- iv. Other

Costs and benefits of national licensing and automatic mutual recognition

Some of the costs and benefits of national licensing and automatic mutual recognition are consistent and reflect the fact that both options reduce costs and unnecessary burdens on property licensees who wish to work across state and territory borders. At the same time, there are key differences that highlight the relative merits of each.

The costs and benefits of national licensing and automatic mutual recognition are assessed across four distinct categories:

- *Transition (or implementation) costs.* These are the costs that will be incurred by government (mainly relating to the proportional cost to the property occupations in terms of establishing

the licensing authority and the national register) and the cost to property licensees to spend time reviewing and understanding what the proposed changes mean for them.

- *Direct costs and benefits.* These are the costs and benefits that can be identified as directly accruing to an individual, business or government as a result of the implementation of the options being assessed. This does not include any costs that are already incurred as part of licensing arrangements under the status quo.
- *Wider economic impacts.* These are the impacts that flow from reduced costs to industry and the community more broadly as well as the implications for the economy due to greater ease with which labour can move and the potential gains in terms of economic growth, employment and consumer outcomes.
- *Impact on consumer outcomes.* This impact refers to a potential change in the quality or quantity of services provided to consumers as a result of changes in regulation proposed in national licensing. This may include changes in consumer protection outcomes, or changes in the availability of services for consumers.

Not all of these impacts can be easily quantified, for example, the improvements and gains expected to flow from the establishment of a national register for property occupations. In relation to the impacts that have been quantified, it is important to acknowledge that some estimates are based on scenarios or hypothetical assumptions so as to provide a guide or point for discussion and feedback from stakeholders – for example, the estimate of the benefit to the economy as a whole flowing from greater labour mobility.

The following section discusses the results of the cost–benefit modelling for both national licensing and automatic mutual recognition. This work will benefit from feedback, including examples of costs and potential benefits of reform as well as comment on the validity and scale of the estimates included.

In estimating the costs and benefits of national licensing and automatic mutual recognition of licensing, it is important that impacts are matched to the specific costs and benefits. For example, and as discussed above, under all of the options for national licensing, the licensing authority would be the central coordinator of future policy consideration and have responsibility for the maintenance of a national licensing register. The benefits of these activities flow either as a consequence of future reform, the durability of reform, and the prospects for future reform, and not those set out in this Consultation RIS; or to consumers and regulators through the use of a register that, for the first time, would consolidate all licensing data for future policy objectives and make some of that data accessible to the public.

It is, however, a challenge to quantify the value of potential and yet-to-be-defined future reforms along with the benefits to consumers or regulators associated with aggregated national licensing data. The costs of establishing the licensing authority are nonetheless relevant to the proposed changes to licensing and have been included for that reason. In some instances, where net present value estimates are made, these costs have been netted against the benefits of labour mobility and reduced compliance and administrative burden. To the extent that states and territories have the scope to consolidate regulatory functions, they can decrease costs and potential regulatory charges.

The impetus for reform is a desire to enhance labour mobility and remove unnecessary regulatory burdens on property licensees. Both national licensing and automatic mutual recognition recognise that there will be benefits associated with:

- an enhanced ability to promote labour flows to where property occupations are most needed
- reduced administrative and financial costs in the form of duplicate fees for those that operate in multiple jurisdictions

- the potential for improved productivity where some licence restrictions are removed.

The proposed changes have been discussed and considered by the jurisdictions over a number of years. At one level it could be argued that many of the reforms could be made unilaterally by the relevant jurisdiction – for example, extending the duration of a property licence does not necessarily require a national agreement. To the extent that reform would be achieved unilaterally, the same impacts as set out below for national licensing would be expected, and the ongoing coordination and initial transition (or establishment) costs would be avoided. Achieving the national licensing reform set out in this Consultation RIS, however, would require the dedicated effort of all jurisdictions and hence, for the purposes of this analysis, the transition costs have been matched against the benefits to industry and households as a necessary ongoing cost for this and future reforms.

National licensing – costs and benefits

Table ES.3 sets out the impacts associated with national licensing as well as an estimate of the potential flow-through benefits associated with increased labour mobility⁴ and returns to business from national licensing.⁵ These impacts are presented in a number of different ways to allow readers to consider the difference between establishment and ongoing impacts along with the jurisdictional impacts. A payback period is also included to highlight the length of time that will be needed for the benefits to offset the transition costs. This payback period is quite short, while the benefits are expected to be ongoing. A 10-year net present value is presented; however, the reform's effects could theoretically be considered over a longer time period, which would result in a larger net benefit (as the benefits are expected to continue beyond the 10-year time period provided for in this analysis).

4 The analysis prorates for the property sector the estimates associated with labour mobility prepared by the Productivity Commission as part of its 2009 *Review of mutual recognition schemes*. For this estimate to be valid, the specific assumptions made by the Productivity Commission would need to hold – namely that Australia is facing a 10 per cent increase in commodity prices above normal conditions – and that these assumptions are also combined with an assumption for this analysis that mutual recognition is only 90 per cent effective in promoting labour mobility. These are strong assumptions and should be treated with caution, but are nonetheless included to provide a 'line-in-the-sand' estimate for consultation. For further information on these assumptions and estimates, see Chapter 4.

5 Most of the benefits are estimated for licensees, such as less time spent filling out forms. However, business also benefits. For the purposes of this analysis, and again to provide a starting point for discussion, the business benefit is assumed to be equal to one-third of the impacts for licensees.

Table ES.3: Summary of the jurisdictional net impacts of national licensing for the property occupations

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Ongoing net impact (\$m per annum)	34.13	0.75	5.79	29.49	4.92	0.51	1.34	1.81	78.73
Community (licensees, business, households)	26.76	(0.46)	3.02	22.05	3.58	0.32	0.93	1.26	80.78
Government ^a	0.75	0.78	0.50	0.71	0.15	0.09	0.15	0.14	(2.05)
One-off transition costs (\$m)	(3.04)	(2.14)	(2.93)	(2.37)	(1.01)	(0.70)	(0.58)	(0.59)	(13.35)
Community (licensees, business, households)	(2.01)	(0.79)	(1.63)	(1.20)	(0.25)	(0.02)	(0.06)	(0.06)	(6.03)
Government ^a	(1.04)	(1.35)	(1.29)	(1.16)	(0.75)	(0.68)	(0.51)	(0.53)	(7.33)
Total 10-year NPV (\$m)	218.75	2.63	34.75	189.43	30.95	2.63	8.17	11.19	498.50
– excluding NOLA	222.19	5.72	37.39	191.10	32.16	3.32	8.50	11.61	512.00
Benefit–cost ratio of the total 10-year NPV	11.26	1.10	6.29	59.12	14.44	3.65	5.15	15.50	8.76
Payback period (years)	0.09	2.85	0.51	0.08	0.20	1.38	0.43	0.33	0.17
Rate of return (annualised percentage)	1121%	35%	198%	1246%	489%	73%	232%	307%	590%

NPV = net present value; NOLA = National Occupational Licensing Authority

Note: The analysis does not account for changes in GST, payroll or other taxes. As some of the community benefits will be consumed as expenditure or enjoyed as higher wages, there will be an increase in GST and payroll revenues.

Tables ES.4 and ES.5 provide a further breakdown of the aggregates above. The intent is to allow readers to see the specific impacts associated with the respective changes being considered. The tables highlight the differences across jurisdictions. Some regions will benefit more than others.

Table ES.4: Ongoing net impacts of national licensing for the property occupations, per year (\$ million)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total ongoing	34.13	0.75	5.79	29.49	4.92	0.51	1.34	1.81	78.73
Direct impacts on licensees									
Removing commercial agent licensing	0.91	0.62	0.66	0.03	0.06	0.0001	0.08	0.002	2.37
Removing requirement for continuous professional development	25.57	-	-	16.80	-	0.27	0.87	-	43.52
Real estate agents – qualification changes	-	-	-	2.97	0.84	0.09	(0.04)	0.11	3.97
Licensees undertaking both real estate and business agency work – qualification changes	-	(0.02)	(0.04)	-	(0.01)	(0.001)	-	-	(0.06)
Agent representatives – qualification changes	(1.66)	(1.71)	2.88	2.14	2.75	-	-	1.04	5.44
Strata managers – qualification changes	-	(0.75)	-	-	-	-	-	0.03	(0.73)
Auctioneers – qualification changes	0.19	0.09	0.02	0.20	0.07	0.005	0.01	(0.003)	0.59
Consistent licence period (1 or 3 years)	2.34	1.87	-	-	0.05	(0.02)	0.19	0.10	4.53
Agent representatives in Vic – Increasing frequency of processing	-	(0.19)	-	-	-	-	-	-	(0.19)
Removing the need to hold multiple licences	0.75	0.39	0.50	0.20	0.15	0.07	0.12	0.11	2.30
Government impacts									
Removing the need to hold multiple licences – government	(0.25)	(0.10)	(0.27)	(0.02)	(0.10)	(0.001)	(0.17)	(0.02)	(0.93)
NOLA – operational	(0.37)	(0.28)	(0.23)	(0.12)	(0.09)	(0.03)	-	(0.01)	(1.12)
Labour mobility	1.41	0.64	1.34	0.76	0.18	0.01	0.05	0.03	4.43
Broader impacts									
Business value-add	5.21	(0.21)	0.93	5.97	1.01	0.09	0.20	0.38	13.58
Other ongoing benefits ^a	0.01	0.39	-	0.56	0.001	0.02	0.04	0.02	1.04

NOLA = National Occupational Licensing Authority

a Other ongoing benefits include the following impacts: ‘removing experience requirements’, ‘removing advertising requirement’ and ‘reducing personal probity requirements’.

Table ES.5: One-off transition costs for national licensing for the property occupations

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total transition	(3.04)	(2.14)	(2.93)	(2.37)	(1.01)	(0.70)	(0.58)	(0.59)	(13.35)
<i>Direct impacts on licensees</i>									
Time for licensees to understand reforms	(1.51)	(0.59)	(1.23)	(0.90)	(0.19)	(0.01)	(0.05)	(0.05)	(4.52)
<i>Government impacts</i>									
NOLA – set-up costs	(0.43)	(0.33)	(0.27)	(0.14)	(0.10)	(0.03)	-	(0.01)	(1.31)
National licensing register – jurisdictional implementation	(0.28)	(0.70)	(0.70)	(0.70)	(0.49)	(0.49)	(0.35)	(0.35)	(4.06)
Government communications	(0.33)	(0.33)	(0.33)	(0.33)	(0.16)	(0.16)	(0.16)	(0.16)	(1.95)
<i>Broader impacts</i>									
Business value-add	(0.50)	(0.20)	(0.41)	(0.30)	(0.06)	(0.005)	(0.02)	(0.02)	(1.51)

NOLA = National Occupational Licensing Authority

In addition to the quantified impacts outlined in these tables, there are other impacts that have not been quantified as part of this analysis. These are expected to be minor and a qualitative analysis of these can be found in Chapter 4.

To better contextualise the impacts set out in tables ES.4 and ES.5, the following section gives a high-level overview of the impacts for specific sectors and affected licence holders.

Impacts on licensees

The reforms will have the following impacts on licensees:

- The most significant potential benefit of the options considered relates to the removal of the requirement for continuing professional development: licensees would no longer need to spend time on and pay the fees associated with annual mandatory training courses.
- The licensing of commercial agency work would be removed under national licensing, leading to a benefit in most jurisdictions.
- The separation of real estate agency work and business agency work would affect four jurisdictions where business agency work is currently combined with the work of a real estate agent. There will be an increase in the qualification requirement, albeit a skills set, for those wishing to operate in both areas of work. Conversely, the separate approach allows for a reduced entry to operate as both a real estate agent and a business agent in jurisdictions where these are licensed separately.
- There would be several changes to qualification requirements across different licence categories. In jurisdictions where the competencies required would decrease, new licensees would benefit from no longer spending time and paying fees associated with training courses. Conversely, in jurisdictions where the competencies required would increase, costs would be incurred by new licensees. As shown by brackets in Table ES.4, costs would be incurred for real estate agents in the Australian Capital Territory, property agent’s representatives in New South Wales and Victoria, strata managers in Victoria and the Australian Capital Territory, and auctioneers in the Northern Territory. There would also be a small cost for real estate agents who also undertake business agency work in Victoria, Queensland, South Australia and Tasmania.

- In relation to moving to a consistent licence period of one or three years, all jurisdictions except Tasmania would benefit. Tasmania currently has a perpetual licence, meaning any defined licence period will lead to a cost in that jurisdiction.
- There will be transitional costs for licensees, which relate to the extra time licensees will need to dedicate to understanding the proposed changes. These costs are proportional to the number of licensees in any one jurisdiction. For example, while Victoria is the second largest jurisdiction in terms of population, the number of property licensees in Victoria is about half that of Queensland. The transition costs reflect this: Queensland licensees incur about double the cost compared to those in Victoria. While the actual amount of benefits may differ from that estimated, it is clear that the transition costs are small relative to the potential ongoing benefits.

Impacts on business and consumers

Those who employ or use property services will benefit from enhanced efficiency and the potential for a more efficient flow of labour. There are challenges in estimating these impacts. For example, enhanced labour mobility leads to better allocation of resources – in this case, property licensees. How much this benefits licensees, business and the economy more broadly will depend on the extent to which the wages and the cost of property services are unnecessarily high (or low) in one jurisdiction due specifically to the limitations of mutual recognition and the current licensing systems in each state or territory.

There may be a range of factors that could lead to such a distortion, including population or demographic shifts. The challenge for this analysis is quantifying the distortion so as to highlight the potential gain from lowering barriers to mobility. While feedback is sought from business and the community on this issue, for the purposes of the analysis and to highlight the potential gain, this report adapts the Productivity Commission's estimates of the potential gain relating to mutual recognition. The report prorates that impact for property services, assuming a certain level of effectiveness for current mutual recognition arrangements. While this estimate is somewhat crude, it was nuanced with the Commonwealth Treasury and the Office of Best Practice Regulation to provide a guide to the possible gain and to highlight that the expected gain is greater than zero, even if estimating the actual gain requires feedback and further analysis.

There is a second and equally important benefit for business flowing from the changes. This benefit relates to the expectation that if reforms lead to more efficient property services – as would be expected if unnecessary licensing burdens are removed – business too will benefit from the value-add generated by a more efficient labour force.

The approach taken in this Consultation RIS is to assume a ratio between the benefits to labour selling property services and the benefits to the businesses or households buying those services. The ratio of benefits to wages relative to benefits to profits is determined by using the ratio of labour to capital.

For the purpose of this Consultation RIS, the impacts (benefits and costs) to businesses and households that buy property services are assumed to be one-third of the direct impact to licensees. Feedback is sought on whether this is an appropriate assumption so that a more informed assumption can be used in the Decision RIS.

Impacts on government

There are a number of expected impacts on government and regulators associated with the potential reforms.

First, and most prominently, the jurisdictions are contributing their proportional share for the establishment and ongoing costs of the licensing authority and the national licensing register. While

the appropriateness of matching these costs with the benefits of removing selected licensing requirements was discussed above, the jurisdictions have identified additional costs that will be incurred on an ongoing basis, such as to ensure that current IT systems can feed into the database that supports the national licensing register. Further offsetting savings could occur at the jurisdictional level, in the area of future policy development, which could be centralised through the licensing authority, although the extent to which these gains are realised will depend on a range of factors.

Second, the removal of various licensing requirements, licence categories, or licences will mean that fewer regulatory activities will be undertaken by most regulators. At the same time, the reduction in licence fees – due to people no longer holding multiple licences – will mean that less money is available for compliance activities. Current fees recover costs for both processing and other activities such as compliance. Regardless of how costs are recovered, and leaving aside the benefits and costs of the licensing authority and the national licensing register, simply abolishing the need for duplicative licensing should lead to lower government costs and resource needs.

While the modelling does not quantify the potential benefits associated with the national licensing register and its supporting database, there are potential positives that could flow from its use. In particular, the register is expected to:

- facilitate identification of any serious non-compliance by licensees nationally – rather than on a state-by-state basis as currently occurs, easing cost pressures
- help to prevent companies re-emerging across borders following a failure in compliance
- enable consumers to confirm that any licensee they propose to engage is legitimately licensed, boosting public confidence in the industry and regulatory system.

Additional wider economic impacts

The analysis above focuses on estimating direct consequences assuming that other things remain unchanged. An economy-wide modelling exercise has also been undertaken to check that these broad benefits still apply even when accounting for the resulting changes in other industries and macroeconomic conditions (e.g. exchange rates, wages, balance of payments and so on). In particular, the results of the cost–benefit analysis that are set out above were used as an input into the Monash Multi-regional Forecasting model. The key inputs are efficiency gains to licensees, fee reductions to licensees, and flow-through value-add to businesses.⁶ It is important to emphasise that the results of the economy-wide modelling exercise are not fed back into the cost–benefit analysis.

Based on the above inputs, national licensing for property occupations is expected (in the long run) to increase:

- annual GDP by approximately \$83 million
- annual investment in Australia by \$34 million
- Australia’s capital stock by \$23 million
- Australia’s international competitiveness due to lower production costs
- net exports

⁶ The results of the economy wide modelling reflect the magnitude of the impacts estimated in the cost benefit analysis. Those impacts are assumption driven and as such the value of the economy wide modelling is in terms of how it shows the relative implications for sectors of the economy.

- national real wages by 0.0029 per cent, resulting in an \$16.5 million increase in the amount workers receive each year
- consumption by \$35 million in a typical year.

Automatic mutual recognition

Automatic mutual recognition could achieve some of the same labour mobility benefits as national licensing, as it would enhance the ability for some labour to flow where property occupations are most needed, and would reduce administrative and financial costs in the form of additional fees where licences are held across jurisdictions. Some of the transition costs incurred under national licensing would also be relevant under automatic mutual recognition. For example, licensees would need to spend time understanding the new licensing system, and government would incur communications costs in informing licensees of the changes.

While national licensing seeks to reduce the number of categories, there is no mechanism or compulsion under automatic recognition to make such changes. Automatic recognition retains individual jurisdictions' licensing frameworks and for that reason involves a lower transition cost to that envisaged under national licensing.

There is the potential for this option to capture some of the benefits that have been identified under national licensing. This would require jurisdictions to unilaterally amend their licensing arrangements, conditions and categories, in line with what has been proposed under the national licensing system. There would also need to be a mechanism to ensure consistent review of licensing requirements over time – for example, in regard to new qualification requirements or new licence categories to respond to changing industry and market needs – to ensure that the initial benefits are not eroded.

To the extent that all of the changes under national licensing could be agreed on under automatic mutual recognition, this option is in fact national licensing as outlined above. The downside of automatic mutual recognition is that the benefits that are likely to flow from the agreed establishment of the licensing authority are not guaranteed, nor is there any institutional forum in which the jurisdictions can easily coordinate future reforms and changes to licensing, conduct requirements and oversight of property occupations. In short, without ongoing coordination and impetus to maintain and build on the initial reforms, there is a risk that automatic mutual recognition may only provide one-off selective reductions in regulatory burdens.

To fully quantify and assess the impacts under this option, further guidance from governments on option parameters and available data would be needed.

Table ES.6 shows some of the potential impacts under national licensing that could also occur under automatic mutual recognition. The table shows the maximum possible impacts. The actual impact will be dependent on the percentage of licences that are deemed to be equivalent across jurisdictions and the extent to which harmonisation of licensing requirements occurs. If this option is supported, further policy development work would need to be undertaken.

Table ES.6: Potential impacts under automatic mutual recognition

Potential impacts	Maximum
Ongoing impacts (\$ million per annum annualised over 10 years)	
Impacts that would occur for those holding equivalent licences	
Labour mobility	Up to 4.43
Removal of the need to hold multiple licences	Up to 2.30
Removal of the need to hold multiple licences – government	Up to (0.93)
Impacts that would occur for those holding equivalent licences <i>only if all jurisdictions agreed to harmonise these requirements</i>	
Removal of commercial agent licensing	Up to 2.37
Removal of requirement for continuous professional development	Up to 43.52
Real estate agents – qualification changes	Up to 3.97
Licensees undertaking both real estate and business agency work – qualification changes	Up to (0.06)
Agent’s representatives – qualification changes	Up to 5.44
Strata managers – qualification changes	Up to (0.73)
Auctioneers – qualification changes	Up to 0.59
Consistent licence period (3 years)	Up to 4.53
Agent’s representatives in Victoria – increasing frequency of processing	Up to (0.19)
Other ongoing benefits ^a	Up to 1.04
Business value-add	Up to 13.58
Transition impacts (\$ million)	
Time for licensees to understand reforms	Up to (4.52)
Business value-add	Up to (1.51)
Government communications	Up to (1.95)
Other potential impacts not yet quantified	
Impacts on government compliance costs	Not quantified
Costs and benefits of a register of disciplinary actions	Not quantified
The scope of work for some licences will either be covered by a broader licence category or will become unlicensed	Not quantified
The removal of additional eligibility requirements such as age requirements	Not quantified

a Other ongoing benefits include the following impacts: ‘removing experience requirements’, ‘removing advertising requirement’ and ‘reducing personal probity requirements’

High-level comparison of national licensing and automatic mutual recognition

Table ES.7 compares the high-level impacts of national licensing and automatic mutual recognition.

Table ES.7: Comparison of high-level impacts of national licensing and automatic mutual recognition

Reform objective	Comparison of options	
	National licensing	Automatic mutual recognition
Facilitate a consistent skills base (Intergovernmental Agreement 4.3)	Yes	No
Ensure effective coordination exists (Intergovernmental Agreement 4.3)	Yes	No
Promote national consistency in licensing structures, policy and disciplinary arrangements (Intergovernmental Agreement 4.3).	Yes	No
Increased labour mobility	Yes	Yes
Ability to reduce regulatory burden	Yes National licensing proposes reductions in the regulatory burden.	Partial Subject to jurisdictional agreement and/or competitive federalism.
Cost of regulatory model	Medium Higher regulatory costs in the short term (from national authority and national register), with possible flow-on impacts for licence fees where jurisdictional regulators are self-funded. All jurisdictions accrue a benefit in the long term.	Unquantifiable – expected to be low to medium Up-front costs to establish limited national register, but no additional ongoing costs. Any future work on further harmonisation would incur costs.
Durability of reform	High Jurisdictions would need comprehensive legislative change to exit from national licensing system. Uniform scopes of work and qualifications would be provided for in national legislation.	Low There would be no mechanism to ensure durability of AMR arrangements. Jurisdictions would need legislative change to remove agreed automatic mutual recognition arrangements. Jurisdictions could change specific licensing requirements

If the national licensing model is your preferred model:

Question: Which features of the national licensing model do you consider most important?

- i. Increased labour mobility
- ii. Harmonisation of licence categories, scope of work and qualifications
- iii. Establishment of a national licensing authority
- iv. Jurisdictional mobility of businesses that hold a contractor licence
- v. Only paying for a licence category once
- vi. Relative ease to administer (for regulators)
- vii. Ease of understanding (for employers)
- viii. Ease of understanding (for licensees)
- i. Other (please specify)

Question: What are the features of automatic mutual recognition that caused you not to support it?

- i. The absence of a national licensing authority
- ii. Non-harmonisation of licence categories, scope of work and qualifications
- iii. Relative complexity to administer (for regulators)
- iv. Other (please specify)

If automatic mutual recognition is your preferred model:

Question: Which features of automatic mutual recognition do you consider to be the most important?

- i. Increased labour mobility
- ii. Maintaining existing licence categories, scopes of work and qualifications
- iii. Lower establishment costs for Government
- iv. Lower anticipated fees than under national licensing
- v. Only targeting licensees who want to work in multiple jurisdictions
- vi. Only paying for a licence category once
- vii. Ease of understanding (for employers)
- viii. Ease of understanding (for licensees)
- ix. Other (please specify)

Question: What are the features of the national licensing model that caused you not to support it?

- i. Higher anticipated establishment and ongoing costs for Government
- ii. Higher anticipated transition costs for licensees
- iii. Increased licence fees for some jurisdictions
- iv. Increased regulatory requirements for some licence classes
- v. Changes to licence categories, scopes of work and qualifications
- vi. Other (please specify)

If the status quo is your preferred model:

Question: What are the features of the national licensing model that caused you not to support it?

- i. Higher anticipated establishment and ongoing costs for Government
- ii. Higher anticipated transition costs for licensees
- iii. Increased licence fees for some jurisdictions
- iv. Increased regulatory requirements for some licence classes
- v. Changes to licence categories, scopes of work and qualifications
- vi. Other (please specify)

Question: What are the features of automatic mutual recognition that caused you not to support it?

- i. The absence of a national licensing authority
- ii. Non-harmonisation of licence categories, scope of work and qualifications
- iii. Relative complexity to administer (for regulators)
- iv. Other (please specify)

Stakeholder feedback

The cost–benefit analysis indicates that those licensees that operate across multiple jurisdictions could enjoy considerable benefits following the implementation of national licensing and to a lesser extent automatic mutual recognition.

The modelling analysis is provided to guide stakeholders in the nature of the potential impacts and to give estimates of possible flow-through benefits and costs.

A number of assumptions were made to quantify the benefits of national licensing and automatic mutual recognition. This analysis will be improved by a more detailed consideration of these modelling results, and by consideration of specific case studies and feedback from stakeholders on how the current and prospective licensing of property occupations affects business and consumers.

Specific questions on aspects of the proposals are included in this Consultation RIS, and a list of the questions is provided below. However, stakeholder feedback is also sought in general terms on the merits of and preference for national licensing or automatic mutual recognition.

In providing feedback, stakeholders are invited to consider:

- the expected costs and benefits from an industry, licensee and community perspective
- the most appropriate administrative arrangement for coordinating future reform of the property occupational licensing regime
- the scope, scale and durability of the proposed changes
- the assumptions used in the cost–benefit analysis and whether there are views on more appropriate assumptions and inputs.

Please see Attachment A for information on how to make a submission.

Questions

Question	Page reference
Preferred Model	
<p>In view of the key features outlined in the Boxes ES.4 and ES.5 in the RIS, which is your preferred model for licensing reform:</p> <ul style="list-style-type: none"> i. National licensing ii. Automatic Mutual Recognition (AMR) iii. Status quo iv. Other 	xix
National Licensing – only respond if this is your preferred model	
<p>Which features of the national licensing model do you consider most important?</p> <ul style="list-style-type: none"> i. Increased labour mobility ii. Harmonisation of licence categories, scope of work and qualifications iii. Establishment of a national licensing authority iv. Jurisdictional mobility of businesses that hold a contractor licence v. Only paying for a licence category once vi. Relative ease to administer (for regulators) vii. Ease of understanding (for employers) viii. Ease of understanding (for licensees) ix. Other (please specify) 	xxx
<p>What are the featured of Automatic Mutual Recognition that caused you not to support it?</p> <ul style="list-style-type: none"> i. The absence of a national licensing authority ii. Non-harmonisation of licence categories, scope of work and qualifications iii. Relative complexity to administer (for regulators) iv. Other (please specify) 	xxx
Automatic Mutual Recognition– only respond if this is your preferred model	
<p>Which features of automatic mutual recognition do you consider to be the most important?</p> <ul style="list-style-type: none"> i. Increased labour mobility ii. Maintaining existing licence categories, scopes of work and qualifications iii. Lower establishment costs for Government iv. Lower anticipated fees than under national licensing v. Only targeting licensees who want to work in multiple jurisdictions vi. Only paying for a licence category once vii. Ease of understanding (for employers) 	xxx

Question	Page reference
<ul style="list-style-type: none"> viii. Ease of understanding (for licensees) ix. Other (please specify) 	
<p>What are the features of the national licensing model that caused you not to support it?</p> <ul style="list-style-type: none"> i. Higher anticipated establishment and ongoing costs for Government ii. Higher anticipated transition costs for licensees iii. Increased licence fees for some jurisdictions iv. Increased regulatory requirements for some licence classes v. Changes to licence categories, scopes of work and qualifications vi. Other (please specify) 	xxx
Status Quo – only respond if this is your preferred model	
<p>What are the features of the national licensing model that caused you not to support it?</p> <ul style="list-style-type: none"> i. Higher anticipated establishment and ongoing costs for Government ii. Higher anticipated transition costs for licensees iii. Increased licence fees for some jurisdictions iv. Increased regulatory requirements for some licence classes v. Changes to licence categories, scopes of work and qualifications vi. Other (please specify) 	xxxi
<p>What are the featured of Automatic Mutual Recognition that caused you not to support it?</p> <ul style="list-style-type: none"> i. The absence of a national licensing authority ii. Non-harmonisation of licence categories, scope of work and qualifications iii. Relative complexity to administer (for regulators) iv. Other (please specify) 	xxxii
Licence Categories and Scopes of Work	
<p>Do you agree that national licensing should include the following licence categories:</p> <ul style="list-style-type: none"> i. Real estate agent ii. business agent iii. Strata managing agent iv. Auctioneer v. Agent’s representative <p>If no to any of the above please specify</p>	17
Are there any additional licence categories that should be considered?	17
Do you consider that the national licensing proposals for strata mangers are preferable to a registration scheme (such as that in Victoria) for this occupation?	22

Question	Page reference
Note: Under the Victorian registration scheme, strata managers register with the regulator and there are no skills based eligibility requirements.	
<p>Do you consider that the registration scheme for agent’s representatives proposed under national licensing is preferable to a registration scheme such as that in Victoria)?</p> <p>Note: Under the Victorian registration scheme, the representative’s employer is responsible for their employee’s registration and ensuring that the representative has satisfied the skills based eligibility requirements.</p>	25
<p>Do the proposed scopes of regulated work correspond to the actual work of licensees in each of the proposed licence categories?</p> <ul style="list-style-type: none"> i. real estate agent ii. business agent iii. strata managing agent iv. auctioneer v. agent’s representative 	26
Under national licensing, the scope of regulated work for a real estate agent includes work relating to rural property. Do you agree with this proposal?	20
Under national licensing, it is proposed that work relating to non-residential real property, meaning property that is primarily for the purpose of industry, commerce or primary production, will not be licensed. Do you agree with this proposal?	28
Under national licensing, it is proposed that the scope of work for a real estate agent excludes work primarily for the purpose of “industry, commerce or primary production”. However, these terms have not been defined. Should a definition for each of these terms be included in the national legislation?	20
Under national licensing, it is proposed that the purchasing, selling or auctioning of livestock will not be included in the scope of regulated work of an auctioneer or real estate agent and that these activities will not be licensed at the national level. Do you agree with this proposal?	29
Do you agree with the proposal that an exemption from holding a jurisdictional licence for auctioning of livestock should be considered by the relevant jurisdiction if the applicant holds a national auctioneer licence?	30
Under national licensing, the licence categories of auctioneer and agent’s representative will only be available to individuals (not body corporate). Do you agree with this proposal?	26
Do you agree the requirements proposed under national licensing for body corporate holding a real estate, strata managing or business agent licence to appoint a nominee are appropriate?	31
Do you agree the exemption regime proposed under national licensing is	32

Question	Page reference
appropriate?	
Personal and financial probity	
Do you agree the personal probity, including 'relevant person' requirements, proposed under national licensing adequately address issues of consumer risk?	34
<p>Do you agree the financial probity eligibility requirements proposed under national licensing adequately address issues of consumer risk?</p> <ul style="list-style-type: none"> i. real estate agent ii. business agent iii. strata managing agent iv. auctioneer v. agent's representative 	35
Eligibility and Qualifications	
<p>Are the proposed entry level qualifications as outlined in the RIS sufficient and appropriate for the proposed property occupations licence categories, scopes of regulated work and consumer risk outcomes?</p> <ul style="list-style-type: none"> i. real estate agent ii. business agent iii. strata managing agent iv. auctioneer v. agent's representative 	38
Do you agree that the units of competency proposed as requirements for a real estate agent to qualify as a business agent are appropriate?	39
Do you agree that the units of competency proposed as requirements for a business agent to qualify as a real estate agent are appropriate?	39
<u>Transition Costs</u>	
The RIS assumes that it will take 45 minutes for licence holders to understand any new obligations, changes to licence requirements or scopes of work under national licensing. Do you agree with this assumption?	45
Beyond the time and transition costs incurred by licensees, businesses and households, and the one-off establishment costs incurred by governments, are there any other transition costs that should be considered in moving to national licensing?	49
<u>Testing the Assumptions</u>	
Are there any other forms of testing currently required by state and territory governments that should be included in the calculations?	57

Question	Page reference
<u>Licence Periods</u>	
What should the non-business (non-agency) licence period be under national licensing?	74
What should the business (agency) licence period be under national licensing?	74
<u>Transitional Arrangements</u>	
<p>In transitioning to national licensing, some qualifications that currently qualify applicants for a jurisdictional licence will not qualify an applicant for the equivalent national licence.</p> <p>Do you agree that these qualifications, if started before the commencement of national licensing, should be deemed to satisfy the skills based eligibility requirements for the equivalent national licence (as proposed under national licensing)?</p> <p><i>Note: these transitional arrangements only apply to existing jurisdictional licences that have an equivalent licence.</i></p>	140
<p>Further to the question above, it is proposed that an individual who completes such a qualification immediately before the commencement of national licensing will have three years to apply for a national licence. After this three year period, measured from the commencement of national licensing, these ‘superseded’ qualifications will no longer be deemed to satisfy the skills based eligibility requirements for a national licence. Do you agree with this proposal?</p> <p><i>Note: these transitional arrangements only apply to existing jurisdictional licences that have an equivalent licence.</i></p>	140
<p>If your licence lapsed before the commencement of national licensing (meaning you would not have been transitioned to a national licence), the proposed grace period for applying for an equivalent national licence will be the same as the current restoration arrangements in the jurisdiction that issued your licence (if any). Do you agree with this proposal?</p> <p><i>Note: After the commencement of national licensing, the proposed grace period to restore a lapsed licence is three months. A licensee can only restore their licence if the restoration period has not expired.</i></p>	141
<p>Certain restricted licence categories will be discontinued under national licensing. Do you agree that a grace period of 12 months should be provided in which an individual that qualified for a discontinued licence will be deemed eligible for an equivalent national licence (with limitations on the scope of work)?</p> <p><i>Note: The grace period will be measured from completion of the outdated restricted licence qualification. The qualification must have been commenced before the start of national licensing.</i></p>	141
Are there any other issues that should be considered in developing a national licensing system?	143

1 General policy context

The Council of Australian Governments (COAG) in July 2008 agreed to wide-ranging regulatory reform to increase Australia's productivity and provide the environment for a seamless national economy. National licensing is one of 27 key areas for reform being overseen by the Business, Regulation and Competition Working Group, which is co-chaired by Commonwealth ministers and has state and territory representation through senior officials.

Many of the challenges facing the economy can only be addressed through more coordinated regulatory arrangements. By moving towards a seamless national economy through the reform of business and other regulation, the COAG reforms aim to provide a more streamlined, consistent and targeted regulatory environment across Australia, reducing inefficiencies and duplication, removing red tape and facilitating flexible and productive operating conditions for businesses and workers across Australia. These reforms have the potential to make life simpler for businesses and consumers, while continuing to provide the necessary protections and access for consumers and the community.

COAG agreed to develop a national licensing system with the following characteristics:

- cooperative national legislation
- national governance arrangements to manage standard setting and policy issues and to ensure consistent administrative and compliance practices
- all current holders of state and territory licences deemed across to the new licence system at its commencement
- the establishment of a publicly available national register of licensees
- no legislative role for the Commonwealth in the establishment of the new system.

National licensing would initially be applied to five occupational areas, which were chosen based on the following selection criteria:

- at least one critical area of the occupation licensed across all jurisdictions
- subject to the work on achieving full and effective mutual recognition
- their importance to the economy in terms of level of demand, intrinsic mobility and number of licensees
- the volume and nature of mutual recognition difficulties.

The five occupational areas are:

- electrical
- plumbing and gasfitting
- property, including conveyancers and valuers
- refrigeration and air conditioning
- building and building-related occupations.

National licensing is a threshold reform; that is, it sets in place licensing eligibility requirements and the related disciplinary framework as the first step in developing a comprehensive national scheme that could, once fully developed, encompass the requirements for both obtaining a licence and the behaviour and standards (conduct) required to maintain a licence. A separate reform, which seeks to harmonise conduct requirements commencing with property occupations, is being undertaken by

the Legislative and Governance Forum on Consumer Affairs (formerly the Ministerial Council for Consumer Affairs). The full benefits of a national licensing system would be realised if this further reform is undertaken.

1.1 *The Occupational Licensing National Law Act 2010*

National framework legislation through the *Occupational Licensing National Law Act 2010* (National Law) has been passed in six jurisdictions (New South Wales, Victoria, Queensland, South Australia, Tasmania and the Northern Territory) to establish national licensing.

The Bill passed Western Australia's Legislative Assembly on 24 November 2010 and was referred to the WA Standing Committee on Uniform Legislation and Statutes Review. The committee did not support the Bill in its current form, and Western Australia will consider its position on the passage of the Bill following the consultation period on the Amendment Bill, national regulations and regulation impact statements. The Australian Capital Territory has reserved its right not to implement national licensing if the costs to the Territory outweigh the benefits.

The National Law provides the high-level framework for national licensing policy and regulations. A copy of the National Law can be found on the [national licensing website](#).

During the policy development process, it became clear that some amendments to the National Law will be required. The release of the draft Amendment Bill and draft regulations will coincide with the consultation period to allow public comment to also occur on these.

1.2 Policy development process

Under the Intergovernmental Agreement for a National Licensing System for Specified Occupations signed by states and territories in April 2009, the COAG National Licensing Steering Committee was given responsibility to oversee the implementation of national licensing in the interim period before the establishment of the National Occupational Licensing Authority. It reports on progress to the Business, Regulation and Competition Working Group and, through the Commonwealth Treasury, to the Standing Council on Federal Financial Relations. Membership of the steering committee comprises central agency representatives from each jurisdiction.

In considering policy issues, the steering committee and its advisory mechanisms are bound by the objectives and principles in the intergovernmental agreement, including a requirement to comply with COAG's principles of best practice regulation. These principles include a requirement to establish a case for action; to consider and cost a range of responses, including non-regulatory approaches; and to ensure that the response selected provides the greatest net benefit to the community as a whole. Key stakeholders must be consulted and government action must be 'effective and proportional' to the issue being addressed.

The steering committee's primary source of advice for occupational regulations has been the Interim Advisory Committees established for each of the occupational areas. Each advisory committee has an associated a Regulator Working Group.

Members of the advisory committees represent a balance of expertise relevant to an occupational area across the fields of regulation, industry operations and practices (from both a union and employer perspective), safety, consumer advocacy, insurance (where relevant) and training. The Regulator Working Groups comprise regulator members from each relevant jurisdiction. Membership lists are in Attachment D.

The advisory committees developed policy advice over a period of 18 months. Most of the advice provided by the advisory committees has been incorporated into the steering committee policy advice for the drafting of the national licensing regulations and this Consultation RIS for the property occupations. There are, however, instances where, after having regard to the objectives and

principles set out in the intergovernmental agreement, the steering committee formed a different view to that of the advisory committees. Such instances are discussed in Chapter 3.

Government representatives from all jurisdictions provided policy advice and are contributing to the drafting instructions for the regulations, including representatives from Western Australia and the Australian Capital Territory, which have not yet passed the National Law. The impact analysis and cost–benefit calculations take into account the current regulatory arrangements in all jurisdictions.

2 Current regulatory approach

The property occupations are currently licensed under state and territory legislation and administered by jurisdictional regulators. All jurisdictions have some form of licensing, though the approach to licensing varies across jurisdictions. For example, all jurisdictions license real estate agents and auctioneers (of real property). Jurisdictions also license business agents, strata managing agents and stock and property managing occupations, albeit in different ways. Auctioneers (of livestock or goods and chattels) are licensed in most jurisdictions.

Victoria and South Australia take a broad licensing approach and issue a single licence to cover sale, auction, lease and management of residential, commercial and rural property and businesses. Other jurisdictions follow a segmented approach, with one or more licence categories in addition to a real estate agent's licence. For example:

- New South Wales, Western Australia, the Australian Capital Territory and the Northern Territory license business agents separately.
- New South Wales and Victoria license or register strata (or body corporate) managing agents separately, albeit with different eligibility requirements. Victoria requires specified qualifications and requires employers to place the names of employees on a public register. Tasmania has a negative licensing arrangement in which employees are required to have specified qualifications and employers are required maintain a list of employees. Strata managing forms part of the work of a real estate agent in the Australian Capital Territory and a real estate agent or restricted real estate's agent's licence in the Northern Territory (body corporate licensees).
- All jurisdictions license the auctioning of real property. In some cases this forms part of the scope of work for a real estate licence or is an endorsement on a real estate agent's licence if competency is demonstrated (New South Wales, Victoria, South Australia and the Australian Capital Territory). In other cases a separate auctioneer's licence is required (Queensland, Western Australia, Tasmania and the Northern Territory).
- All jurisdictions take the approach of licensing or registering employees (agent's representatives) who work under supervision, except Tasmania, which has a negative licensing arrangement in which employees are required to have specified qualifications and employers are required to maintain a list of employees.

Table 2.1 outlines the current property licensing arrangements across Australia.

Table 2.1: Current property licensing arrangements across Australia

Licence category	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Real estate agent	✓	✓	✓	✓	✓	✓	✓	✓
Business agent	✓	✓a	✓a	✓	✓a	✓a	✓	✓
Strata managing agent	✓	✓d				e	✓a	✓a
Stock & station agent	✓		✓a					
Pastoral house			✓					
Resident letting agent			✓					
Affordable housing			✓					
Property developer			✓					
Buyer's agent	✓	✓a	✓a	✓a	✓a		✓a	✓a
Property managing agent	✓	✓	✓a	✓a	✓a	✓	✓	✓a
Auctioneer (real property)	✓b	✓a	✓	✓	✓b	✓	✓a	✓
Auctioneer (stock)	✓b		✓	✓		✓	✓a	✓
Trainee auctioneer registration			✓					
Agent's representative	✓	✓c	✓	✓	✓		✓	✓
Business agent's representative	✓	✓a and c	✓a	✓	✓a		✓	✓
Strata managing agent's representative	✓	✓d						✓

Note: shading denotes regulated work.

- a Included in the scope of a real estate agent and/or agent's representative.
- b Real estate or stock and station agent licence prerequisite.
- c Regulation through an employer-delegated scheme.
- d 'Light touch' registration scheme with limited eligibility criteria.
- e Tasmania has a negative licensing scheme.

Source: Provided by the jurisdictional licensing authorities.

Mutual recognition

Currently, occupational licence, registration or accreditation holders are able to work across jurisdictions under the Mutual Recognition Agreement, to which all states and territories are signatories. Under the *Mutual Recognition Act 1992*, occupational licence holders from one jurisdiction can apply to be registered in a second jurisdiction on the basis of their existing licence and without further assessment of their skills. However, licence holders must still approach the regulator in each jurisdiction they wish to work in, prove they are licensed in another jurisdiction, and pay a fee to receive an equivalent licence for that jurisdiction. This process imposes financial costs and time delays, and may impede short-term interstate service provision.

Mutual recognition applies to all licensed occupations, including the four occupations in the initial tranche of the national licensing reform (electrical, plumbing and gasfitting, property, and refrigeration and air conditioning). Other covered occupations include builders and building-related occupations, conveyancers, valuers, driving instructors, pilots, escort vehicle drivers, maritime occupations, pest and weed controllers, gaming occupations and pyrotechnicians. Mutual recognition does not apply to licensed corporations or similar entities.

Ministerial declarations for the occupations mentioned above were made under section 32 of the *Mutual Recognition Act 1992*. These declarations contain matrices that describe occupational licence equivalents across all jurisdictions. An excerpt from the restricted property licences mutual recognition matrix contained in the Commonwealth of Australia *Gazette 2007* is in Table 2.2. The table sets out the licence equivalence mapping of a NSW real estate agent’s licence. The codes contained in the cells are restrictions applied to grant equivalence, and an explanation of these can be found below Table 2.2. This example also illustrates the complexity involved in preparing and maintaining mutual recognition matrices. The full suite of the ministerial declaration matrices can be accessed on the Australian Government’s [Licence Recognition website](#). The website also allows a licensee to search for the equivalent licence in another jurisdiction.

Table 2.2: Licence equivalence mapping of a NSW real estate agent’s licence in other jurisdictions

First Jurisdiction	Second Jurisdiction							
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
NSW								
Real Estate Agent’s Licence		Estate Agent Licence Restricted to B – OT, RE, RR R – OT, RE, RR S – OT, RE, RR	Property Agents and Motor Dealers Licence (Real Estate Agent)	Real Estate and Business Agents Licence Excluding B – BU R – BU S – BU	Land Agent Registration	Registration as Real Estate Agent Restricted to B – OT, RE, RR R – OT, RE, RR S – OT, RE, RR	Real Estate Agent Licence	Real Estate Agent’s Licence Excluding SM – OT, RE, RR

Codes for restrictions or exclusions:

Functions		Asset type
B	BU	Businesses
R	OT	Other Real Estate
S	RE	Residential Real Estate
SM	RR	Rural Real Estate

The Productivity Commission reviewed mutual recognition in 2003, and again in 2009. The commission found in both reports that on the whole, mutual recognition had reduced impediments to labour mobility. In particular, it found that ‘mutual recognition appears to be associated with a modest increase in the number of interstate arrivals in registered occupations compared with other occupations’.⁷ However, in both reports, the commission identified problems with the day-to-day operation of mutual recognition, such as the equivalence of occupations, registrations coverage and the expertise of regulators.⁸ In cases where regulators do not apply mutual recognition correctly, complications can be created when conditions and restrictions are placed on licensees when they move across jurisdictions. Both reports made recommendations for improvements.

The Productivity Commission supported the development of nationally uniform licensing requirements and national registration systems for occupations that were highly mobile across

7 Productivity Commission 2003, *Evaluation of the mutual recognition schemes: research report*, p. 40.

8 Productivity Commission 2009, [Review of the mutual recognition schemes: research report](#), p. 59–62.

jurisdictions, where licence requirements between jurisdictions were significantly different, and where the benefits would justify the costs.

In 2008, the Allen Consulting Group⁹ undertook a follow-up review of changes made following the Productivity Commission report. It found evidence that mutual recognition had reduced regulatory burdens on licensees and some evidence that mutual recognition had reduced barriers to mobility from licence differences. It also found a strong view in industry that labour shortages were due less to low mobility than to overall skills shortages nationwide. A bigger issue identified was the high cost of holding multiple licences, due to application and renewal fees. The review also identified a continuum of licensing models, from the current mutual recognition arrangements through to national licensing, including 'enhanced mutual recognition' (or 'driver's licence model').

9 Allen Consulting Group 2008, *Evaluation of COAG initiatives for full and effective mutual recognition*.

3 Options for reform

This Consultation Regulation Impact Statement (RIS) focuses on the policy options for national licensing identified through the policy development process. It does not discuss options for maintenance of the existing jurisdictional arrangements except as a 'base case' (status quo) for assessing the impact, both quantitative and qualitative, of the introduction of national licensing. While another proposed option, automatic mutual recognition, represents an approach to meeting some of the objectives of national licensing, it is essentially a hybrid of the status quo and national licensing. It does not embody a consistent national approach to standard setting and policy. For clarity, therefore, where the term 'national licensing' is used in this Consultation RIS, it refers only to the consistent national licensing approach represented by option 3 in 3.1.

3.1 Options for consideration

The options considered for the licensing of property occupations are as follows:

- *Option 1: Status quo* – The status quo option would involve no change from current arrangements. The cost of this option would be the benefits forgone compared with each of the reform options.
- *Option 2: Automatic mutual recognition* – This option proposes a 'driver's licence' approach to national licensing whereby each jurisdiction would continue to issue licences under existing jurisdictional categories and associated scopes of regulated work. Those licences would be declared equivalent, being recognised by every other state and territory without the licensee having to reapply for a licence or pay any additional fee. A limited disciplinary register would be established.
- *Option 3 – National licensing (preferred option)* – A national licensing system would provide a single policy approach to licence categories, regulated work and the eligibility requirements to obtain a property occupational licence. This would allow a person to work anywhere in Australia where the relevant work is licensed without having to reapply for a licence or pay any additional fee. A national licensing register would be established.

An analysis of the three options follows.

3.2 Status quo

Under the status quo option, the states would continue to operate their own licensing systems, with different jurisdictional policy development processes, applicant assessment standards and mechanisms and disciplinary outcomes for behaviour breaches. Licensed workers would continue to be subject to the requirements of the *Mutual Recognition Act 1992* when they wished to work in another state or states, and would need to apply for a licence and pay any additional fee in each state or territory in which they chose to operate.

This option would not address current regulatory complexity or the Council of Australian Governments (COAG) agreement for a national trade licensing system.

3.3 Automatic mutual recognition

3.3.1 Background – 2009 Decision Regulation Impact Statement

The National Licensing System for Specified Occupations: Decision Regulation Impact Statement of April 2009 (Decision RIS), provided information on two implementation models for a national trade licensing system: a national single agency model and a national delegated agency model. The latter

model was recommended. The Decision RIS also noted that both the status quo and a driver's licence model had been considered as additional options (although they were not costed), but that the then COAG Skills Recognition Steering Committee and the Business Regulation and Competition Working Group had recommended a national trade licensing system to COAG. COAG agreed to the development of a national trade licensing system on 3 July 2008, and on 30 April 2009, state and territory first ministers signed the Intergovernmental Agreement for a National Licensing System for Specified Occupations.

3.3.1.1 Overview of the driver's licence models in the 2009 Decision Regulation Impact Statement

The 2009 Decision RIS outlined two possible approaches to the driver's licence model – unharmonised and harmonised. In the first, licences would remain unharmonised; that is, skills, administration and compliance requirements would not be harmonised and each jurisdiction would continue implementing its existing requirements. In the second, jurisdictions would seek to harmonise these aspects of licensing.

Under both driver's licence models, an occupational licence issued by any jurisdiction would be valid in any state or territory in Australia. The *Mutual Recognition Act 1992* would be amended for selected occupations to allow licences valid in one jurisdiction to be recognised elsewhere. State and territory regulators would continue to issue jurisdiction-specific licences and to operate and maintain their licensing systems under their existing legislation.

Both models would facilitate labour mobility and could be expected to reduce the regulatory burden, as licensees would not have to register in each jurisdiction or to pay additional fees.

3.3.1.2 Limitations of the unharmonised driver's licence model

The effect of the unharmonised driver's licence approach, however, would be to import the complexities of each jurisdiction's licensing system into the other jurisdictions. Regulators would need to be familiar with the scope of work covered by each licence in order to properly monitor the work of licensees. In effect, this means that because of jurisdictional differences between scopes of regulated work and qualification requirements, licensees may need to hold additional local licences or be required to carry out a smaller scope of work than 'local' licensees. However, regardless of the jurisdiction where a licensee chooses to work, they would be able to undertake the scope of work for which they were initially licensed. The 2009 Decision RIS noted that an unharmonised approach would not address issues of consistency or transparency, would increase the level of complexity for individuals and businesses (in understanding jurisdictional licensing and conduct differences) and could increase consumer confusion. It further noted that there are potentially perverse impacts on consumer protection outcomes because the integrity of jurisdictional regulatory regimes could be undermined and the potential for jurisdiction shopping could increase. It also noted that there was a significant risk that regulators would lose confidence in the arrangements over time.

3.3.1.3 Limitations of the harmonised driver's licence model

In the harmonised driver's licence model, national governance arrangements, comprising representatives of all states and territories, would be needed for each occupation, to coordinate the establishment and maintenance of the harmonised arrangements. However, a system that is harmonised rather than unified was considered to require a comparatively high degree of continuing interjurisdictional coordination to ensure that practices remain consistent over time. Difficulties were also envisaged in maintaining consistency in legislative provisions without a common legislative basis. It was noted that costs would still be incurred in relation to policy development and legislative changes.

In the absence of any detailed costing, it was considered that a harmonised driver's licence model had a number of disadvantages. These included the high risk of reforms unravelling over time due to the high level of interjurisdictional coordination needed and the failure of past attempts to harmonise regimes. It was also considered that there was a greater likelihood of resistance to reforms and fewer opportunities to streamline and rationalise licensing frameworks.

In regard to the 2009 Decision RIS, it should be noted that the standard automotive driver's licence arrangement works because the regulated work – driving – is essentially the same in all jurisdictions. Automatic mutual recognition has also proved effective in an occupational context in the area of national deeming arrangements for veterinarians, for the same reason. For driver's licences, minor differences exist relating to licence conditions (including age eligibility and driving restrictions, such as differing acceptable blood alcohol content levels and hours of driving experience) as well as some jurisdiction-specific road rules (such as restrictions on mobile phone use, restrictions for buses over level crossings and different U-turn rules). These differences equate to the conduct rules for occupational licensing. However, for property occupations, as an example, the current differences in eligibility requirements and scopes of work between jurisdictions are more complex than for driver's licence holders.

3.3.2 Revisiting the driver's licence model – automatic mutual recognition

Given that the driver's licence model was not costed in the 2009 Decision RIS, it is considered prudent to revisit this model, to determine whether it is a viable alternative. Accordingly, this Consultation RIS presents the advantages and limitations of a driver's licence model, referred to as automatic mutual recognition (see Box 3.1), for further comment by industry stakeholders, government, consumers and the wider community.

Automatic mutual recognition is one option to address the issues of labour mobility and regulatory burden associated with licensees operating across jurisdictions. Currently, under mutual recognition a licence holder must demonstrate that they are licensed in another jurisdiction and pay any fee for an additional licence. In some circumstances, conditions, restrictions or endorsements may be applied to the licence in the second jurisdiction to achieve licence equivalence. Under a harmonised automatic mutual recognition approach, the holder of an occupational licence granted in one jurisdiction would be automatically allowed to perform the same scope of licensed work across all jurisdictions in the equivalent occupation, without the need to apply for a licence in the second jurisdiction or pay additional fees for licences. However, it would become the responsibility of the licensee and their employers to understand the licensing requirements in each jurisdiction and ensure they do not carry out work they are not licensed or qualified to do. This option is similar to the arrangements that apply to a driver's licence, where a licence in one jurisdiction entitles the bearer to drive anywhere Australia.

Jurisdictions could also agree to harmonise some licensing requirements in the implementation of this option, such as by removing some licensing requirements that are more onerous than in other jurisdictions. This includes, for example, agreeing on removing the requirement for continuing professional development or harmonising licence qualifications and scopes of work and rationalising the number of licences. Harmonisation could be based on the policy development work undertaken to date for national licensing; however, in the absence of a national coordinating mechanism or body, harmonisation is likely to be difficult and time consuming and hard to maintain over time.

3.3.3 How automatic mutual recognition could work

Ministerial declarations made under section 32 of the Mutual Recognition Act have tables of licence equivalents across all jurisdictions that are party to the declarations. One possible method of achieving automatic mutual recognition would be to amend section 32 of that Act to provide that a declaration may allow licensees to work across jurisdictions in the equivalent licence categories (the

Act currently does not remove the requirement for licensees to apply for the equivalent licence category in other jurisdictions)¹⁰. As such, automatic mutual recognition would create an automatic right to work across jurisdictions in specified categories. However, significant changes may be required to accommodate business and contractor licences as the system of mutual recognition is designed around an individual's occupational licence. Changes to jurisdictional occupational legislation may be required to allow for such licences.

Jurisdictions would need to continue to cooperate on standardising requirements for the remaining classes for inclusion where practicable. This includes scopes of work, qualifications and probity requirements. Its immediate applicability to property occupations is discussed at section 3.36.

In instances where licence scopes would still differ across jurisdictions, jurisdictional regulators would need to provide clear information on permitted scopes of work. Any licensees operating outside the scope of their jurisdictional equivalent licence category (i.e. home state licence) would be subject to enforcement activities by the relevant jurisdiction's regulator.

3.3.3.1 Conduct and compliance requirements

Under an automatic mutual recognition regime, there would be no need for licensees working in a second jurisdiction to pay additional fees or lodge licence applications. Licensees choosing to work in an additional jurisdiction would also still need to comply with any relevant jurisdiction-specific conduct and compliance requirements that apply to the work they intend to perform. For example, licensees may be required to familiarise themselves with jurisdiction-specific variations in property work and/or notify the regulator of the work. The need to comply with such requirements would be a requirement of any option.

An automatic mutual recognition regime could be supported by a central register of disciplinary actions to enable jurisdictional regulators to be aware of any pending actions, disciplinary actions underway, etc. To provide a level of transparency for consumers of the services or for compliance purposes, the requirements for a register (in terms of scope, build costs, etc.) would need to be considered and costed. A register containing only disciplinary actions would, however, fall short of the complete national register of licence holders proposed under national licensing.

3.3.3.2 Benefits compared with the status quo

In comparing this option to the status quo, automatic mutual recognition has the benefit of removing many of the fees, time delays and other barriers that can arise in the current mutual recognition process.

3.3.4 Costs of implementing automatic mutual recognition

3.3.4.1 Legislative change, IT register and new administrative arrangements

To implement automatic mutual recognition, legislative changes would be required and an IT register would need to be developed and maintained. Compliance arrangements would need to be developed by regulators. There would also be costs associated with coordinating management of the IT register. As with current mutual recognition arrangements, there would be a cost in maintaining equivalence of licence tables and mechanisms to ensure consistency in licence categories. Any future

¹⁰ If the Commonwealth is to have no legislative role in national licensing, as agreed by COAG, then this may not be possible. Changes would need to be made to jurisdictional legislation to allow certain licences in the matrices under the Act to be recognised.

harmonisation work – for example, reforms to conduct requirement – would also incur costs. This is discussed further in the impact analysis in Chapter 4.

3.3.4.2 Additional burden on employers and individuals

There would continue to be instances where scopes of work and other licence requirements differ across jurisdictions, and licensees would need to be aware of multiple jurisdictional licence requirements. This would impose an additional cost to employers who choose to employ skilled labour from other jurisdictions or that operate across jurisdictions. Those employers would need to be aware of multiple jurisdictional requirements to understand what their employees are qualified to do (and any conditions or restrictions placed on licensees they employ), to ensure that they do not direct employees to work beyond the scope of their jurisdictional licence. This burden would not apply to employers who operate in a single jurisdiction and do not engage interstate workers. This is discussed further in the impact analysis in Chapter 4.

3.3.4.3 Differing fee levels and jurisdiction shopping

Conduct and fee levels would remain a jurisdictional responsibility under automatic mutual recognition. Under this option, differential fee levels across jurisdictions may promote instances of ‘jurisdiction shopping’ under automatic mutual recognition, given that licensees would be allowed to work across Australia. There would be a need for specific legislative requirements for determining the jurisdiction in which a licensee would be issued their licence (e.g. where the applicant resides or where the majority of their work will be conducted). This is discussed further in the impact analysis in Chapter 4.

3.3.5 Limitations of automatic mutual recognition

3.3.5.1 Consumer protection

A key issue relates to the certainty of consumer protection outcomes. While all persons undertaking work across jurisdictions will have the appropriate licensing to perform that work in both their primary and any secondary jurisdictions, there will be differences in permitted scopes of work. It is the primary responsibility of the licensee to ensure that they are licensed to perform any work undertaken in secondary jurisdictions. Differences in scopes of work could raise the risk of licensees working outside their scope of work in secondary jurisdictions, thus affecting consumer protection.

It should be noted, however, that this is an ever-present risk under mutual recognition arrangements. Along with changes in conduct requirements, licensees moving to another jurisdiction would need to be cognisant of any differences in the scopes of regulated work.

3.3.5.2 Compliance difficulties

Automatic mutual recognition would require local regulators that monitor and enforce compliance with licensing to understand several jurisdictions’ licensing requirements rather than just their own. While licence mapping or tables may assist, the mutual recognition tables do not take into account any conditions or restrictions on licences, and any such conditions or restrictions would be carried through to the second jurisdiction. This represents a further complication for compliance purposes if the condition or restriction is not apparent on the face of the licence.

3.3.5.3 Uptake of automatic mutual recognition option

Under the automatic mutual recognition model, some licensees may choose to voluntarily obtain a ‘local’ licence in secondary jurisdictions even if the legislative requirement to do so is removed.

This situation could arise due to a number of factors, including:

- the licensee seeking information on what work can be undertaken in the jurisdiction
- employer preference for those holding ‘local’ licences
- a desire to advertise with a local licence number (e.g. for branding purposes)
- assurance of entry onto the ‘local’ regulator’s public register of licensees
- the perception of a consumer preference for those holding a ‘local’ licence.

These risks would be exacerbated by continuing differences in licence eligibility criteria between jurisdictions, or where licensees from other jurisdictions are perceived to be less qualified.

3.3.5.4 Absence of strong central coordination

While the decentralised nature of the governance of mutual recognition schemes has assisted in keeping administration costs low, it has led to little government coordination, both within and across jurisdictions. The responsibility for ongoing oversight has been spread across several bodies, each with narrow responsibilities and with minimal resources to carry out coordination functions.

The Productivity Commission has recognised this issue and recommended the establishment of a specialist unit to provide oversight for the mutual recognition of occupations (funded by jurisdictions).¹¹

In the absence of a central licensing authority, the automatic licensing option may experience similar problems related to decentralised governance. For example, to ensure continuing equivalence measures, a decision to reduce licensing requirements in one jurisdiction would require agreement by every other participating jurisdiction before changes could be implemented. Without a central coordinating body such as the licensing authority, this process may be time-consuming, administratively inefficient, and if jurisdictional views differed, potentially unachievable. If consensus was not achieved and a jurisdiction made changes unilaterally, there would be a risk that automatic mutual recognition for the licence in question could be revoked.

The additional governance costs that would exist under automatic mutual recognition to manage these issues are less transparent than under the national licensing model (i.e. the licensing authority budget).

The proposed system of automatic mutual recognition would be fragmented in its implementation if the current approach is taken, with some licence categories starting immediately, some at a later date, and some not at all. Licensees who operate across categories would be at risk of incurring extra costs as they try to operate under two different regimes.

The automatic recognition model would not prevent jurisdictions from creating new licence categories and exacerbating barriers to entry, whereas with a centralised approach to licensing policy any new licence category would be capable of application across jurisdictions simultaneously.

3.3.6 How automatic mutual recognition would work for property occupations

The ability of automatic mutual recognition to address mobility and productivity issues is based on current mutual recognition tables that detail common scopes of work. These tables already detail equivalent licences across jurisdictions and note that these equivalents may include some or all scopes of regulated work listed; automatic mutual recognition would be an extension of these current arrangements. The tables are, however, complex and require periodic maintenance in order

¹¹ Productivity Commission 2009, *Review of mutual recognition schemes: research report*.

to reflect changes in jurisdictional licence policy. An example of a mutual recognition table can be found in Chapter 2.

In property occupations, the work of a real estate agent, for example, is broadly similar across most jurisdictions. However, the scope of work for some licence categories not recognised on a like-for-like basis. Automatic mutual recognition, as with current mutual recognition arrangements, would therefore in many instances require the issuing of restricted licences in order to achieve equivalence. There would be considerable effort needed to harmonise licence scopes of work in the future and this would require co-operation between jurisdictions. It appears that for automatic mutual recognition to work effectively the scope of regulated work needs to be the same across jurisdictions. Nevertheless, under an automatic mutual recognition model, what a licensee is qualified to do in their primary jurisdiction is what they would be qualified to do in secondary jurisdictions.

3.3.6.1 Real estate agent

Real estate agents are currently licensed in all jurisdictions and there is general consistency in the core functions of selling and managing real property across jurisdictions. However, some jurisdictions have a broad approach to the scope of regulated work of a real estate agent, which can include business agency work, strata managing work and auctioning.

Under current mutual recognition arrangements, restrictions are applied in order to grant equivalence, and a person with a broad licence can be issued multiple licences. These anomalies would require regulators to provide consistent information to licensees wishing to work across borders.

3.3.6.2 Business agent

Business agency work is licensed in different ways across the jurisdictions, either as a separate licence category or captured under a real estate agent's licence. Under current mutual recognition arrangements, some licences are granted equivalence by applying restrictions. There may be an issue in the jurisdictions where this work is captured under the broad scope of a real estate agent. A business agent would be issued a real estate agent's licence restricted to business agency work and consumers could mistakenly think that they are dealing with a real estate agent. It would appear that under automatic mutual recognition licensees would need to contact jurisdictional regulators to confirm the scope of regulated work permitted under the licence.

3.3.6.3 Strata managing agent

Strata managing agents or owners' corporations are licensed in four jurisdictions, and this occurs in different ways. The work can be licensed as a separate category or registration or form part of the work of a real estate agent. The mutual recognition table would require considerable updating as the occupation is only recognised in New South Wales and the Northern Territory.

3.3.6.4 Agent's representative

An agent's representative is an employee of a real estate agent. The licensing or registration of such employees occurs in all jurisdictions, except Tasmania which operates a negative licensing scheme for this occupation. It is not clear how this form of licensing would be captured under automatic mutual recognition.

In some jurisdictions the scope of work includes business agency work and the scope of work for some agent's representatives may inadvertently be expanded. The mutual recognition matrix does not have an equivalent declared in three jurisdictions; this would need to be reviewed before automatic mutual recognition could be implemented.

3.3.6.5 Auctioneer

The approach to the licensing of auctioneers is also different across jurisdictions. Some jurisdictions require an auctioneer to hold a real estate agent's licence as a prerequisite, while other jurisdictions issue a stand-alone auctioneer's licence. Under automatic mutual recognition, jurisdictions that currently have the prerequisite would need to amend their legislation to enable a separate licence to be issued. The mutual recognition matrices would require updating in line with any legislative changes. Automatic mutual recognition would not operate across all jurisdictions without these changes.

Table 3.1 summarises the benefits and costs of the automatic mutual recognition model compared to the status quo.

Table 3.1: Identified benefits and costs of an automatic mutual recognition model for the property occupation area compared to status quo

Nature of impact	Industry/licensees	Government	Consumers
Benefits	Removal of need to hold multiple jurisdictional licences Improved labour mobility Removal of need to pay additional fees to work in multiple jurisdictions Removal of unnecessary regulatory burden ^a (subject to jurisdictions agreeing to contingent harmonisation measures)	Reduced administrative effort and costs from not needing to issue licences to licensees from other jurisdictions Quick implementation of initial licence categories	Improved access to licensed agents due to greater licence mobility
Costs	Possible increases in administrative burden for licensees and their employers operating across jurisdictions as it becomes less clear what work licensees are qualified to do ^b	Cost of establishing a register of disciplinary actions Minor transitional costs Less revenue from removal of need to hold multiple jurisdictional licences Potential increased compliance costs because regulators will have less idea of who is operating in their jurisdiction, and compliance officers will need to be aware of multiple jurisdictions' licence requirements to enforce licences Cost of future licence harmonisation activity Cost of developing a uniform approach to the notification process resulting from licensees moving across jurisdictions	Consumers engaging an interstate licensee will have to rely on the licensee's advice and self-regulation on what work can be undertaken in that jurisdiction. Information on licence cards would differ across jurisdictions, resulting in potential uncertainty for consumers

a Subject to jurisdictions agreeing some harmonisation measures such as removing continuous professional, rationalising the number of licence categories and harmonising licence eligibility and qualification requirements.

b Industry and licensees will need to be aware of several licensing regimes, rather than their own (and similarly for government compliance officers).

3.4 National licensing

Under national licensing, as with automatic mutual recognition, a licensee would be able to work anywhere in Australia without having to reapply or pay for a licence when they move to another jurisdiction within Australia. Licences would have the same title and authorise the same regulated work throughout the country. The only exception to this would be the small proportion of instances where the second jurisdiction licenses a category not licensed in the person's primary jurisdiction. While not necessarily directly related to the property occupations, national licensing could greatly assist responses to national emergencies by removing the need for any associated 'red tape'.

It should be noted that there will still be a need for mutual recognition of licences for occupations that are not covered under national licensing and there will also be the need to continue to recognise property licences from New Zealand under the Trans-Tasman Mutual Recognition Arrangements.

The regulation of the behaviours and standards (conduct requirements) to be met by licensees following the attainment of a licence would not be within the scope of this reform. A separate reform, which seeks to harmonise conduct requirements commencing with property occupations, is being undertaken initially under the auspices of the Legislative and Governance Forum on Consumer Affairs (formerly the Ministerial Council for Consumer Affairs). The full economic benefits of national licensing would be realised if conduct requirements are reformed to provide for national standards for behaviour. However, under national licensing, licensees will be responsible for meeting any jurisdictional requirements for operating in a particular jurisdiction. For example, the way trust accounts are managed.

The following is an overview of the proposed national licensing model and has been informed by the policy development work undertaken by the Property Occupations Interim Advisory Committee and the COAG National Licensing Steering Committee.

3.4.1 Proposed categories of licence

The proposed national licence model for property occupations is based on a number of licence categories, each relating to specific aspects of property work. The proposed licence categories divide some of the existing broader jurisdictional categories; for example, the current Victorian estate agent's licence would be separated into three licence categories: a real estate agent's licence, a business agent's licence and an auctioneer's licence. (It is expected that all three categories could be provided on a single licence document.) There will also be a change to the licensing or registration of strata managing agents for Victoria, the Australian Capital Territory and the Northern Territory with a separate licence category.

The rationale for proposing separate categories is to ensure that the specialised skills associated with the work of real estate agents, business agents and strata managing agents are recognised and the licensing requirements provide for training in those specialised skills. The policy development process found that this model also provides the flexibility for a business to either provide a range of services or focus on specialised aspects of agency work.

A risk-based approach based on identified consumer risks associated with the work was taken during the development of the national licensing model for property occupations. COAG's best practice regulation principles were also considered during the policy development process. There were some current licence categories that were not considered a strong enough risk to warrant a separate licence category under national licensing (for example, residential property managers and buyer's agents). These categories have been included in the scope of a real estate agent and a property agent's representative. An overview of the risks associated with the property industry can be found at Attachment F.

The proposed categories of licence should be able to address both current and future industry environments. This objective, in conjunction with the core areas of work covered by current licence categories, was taken into consideration in developing the following proposed categories:

- real estate agent
- business agent
- strata managing agent
- agent’s representative (this category covers both real estate agency work and business agency work – see 3.4.1.4)
- auctioneer.

Do you agree that national licensing should include the following licence categories:

- i. Real estate agent
- ii. business agent
- iii. Strata managing agent
- iv. Auctioneer
- v. Agent’s representative

If no to any of the above please specify

Are there any additional licence categories that should be considered?

The following subsections provide a synopsis of the proposed licence categories and the relevant proposed regulated work.

3.4.1.1 Real estate agents

Table 3.2: Proposed licence category, proposed regulated work and associated definition for a real estate agent

Licence category	Proposed regulated work and associated definitions
Real estate agent	<p>Real estate agency work means selling, purchasing, exchanging, leasing, managing or otherwise dealing with residential real property, on behalf of another person, for fee, gain or other reward, other than strata managing agency work.</p> <p>Residential real property means real property that is used, or is intended to be used, for residential purposes and does not include real property that is used primarily for the purposes of industry, commerce or primary production.</p>

In relation to the proposed regulated work of a real estate agent, real property includes rural and residential property and excludes livestock. The scope of the proposed regulated work for a real estate agent represents a different approach from current arrangements in most jurisdictions, for example:

- New South Wales has a separate, stock and station licence category for rural land and residential sales. Under national licensing, rural residential sales are proposed to be included in the regulated work of a real estate agent. Therefore, real estate agents working in New South Wales would be able to sell, lease or manage both rural and residential properties, without the need for an additional licence, which currently occurs in the other jurisdictions.
- Queensland also has a separate licence category relating to rural property, a pastoral house licence. However, unlike New South Wales, in Queensland real estate agents are also able to sell, lease, or manage rural property. The regulated work for Queensland pastoral house

licence includes the sale of rural land and livestock. Under national licensing, the sale of rural residential land will be included in the regulated work of a real estate agent.

- Non-residential property work currently forms part of the regulated work of a real estate agent in all jurisdictions; however, it is proposed not to license this area of work (see discussion at 3.4.2.1).
- Most jurisdictions license the sale and purchase of livestock and it is included in the regulated work of a real estate agent. However, it is proposed that this area of work not be licensed (see discussion at 3.4.2.2).
- Most jurisdictions license the auctioning of livestock and this can be included in the scope of a real estate agent or as a separate associated licence. It is being proposed that the auctioning of livestock will not be a licensed area of work under national licensing. (see discussion at 3.4.2.2 and 3.4.2.3)
- The proposed regulated work of a real estate agent is narrower than currently regulated for agents in some jurisdictions. For example, in Victoria, Queensland, South Australia and Tasmania the work of a real estate agent also includes business agency work. This work area is proposed as a separate licence category.
- The separation of strata managing work affects agents in the Northern Territory where a real estate agent performs this work. In the Australian Capital Territory real estate agents can choose to perform this work without the need to hold an additional licence, but would require a national licence.

Rationale

Real estate agents are currently licensed in all jurisdictions and the advisory committee agreed that given the risks associated with real estate agency work this should continue under national licensing. Under national licensing an individual, persons in a partnership and a body corporate would be able to apply for real estate agent's licence. See Attachment F for more information on the risks associated with the property occupations.

Currently there is general consistency in the core functions described in the scope of regulated work for the various property agent licence categories across jurisdictions. For example, all jurisdictions provide for the core functions of a real estate agent as acting (including negotiating) on behalf of another for reward in transactions relating to the sale, purchase, exchange, or leasing of real property (both residential and non-residential). Under national licensing the regulated work of a real estate agent will include these core functions of regulated work, except for non-residential property that is used primarily for the purposes of industry, commerce or primary production (see discussion 3.4.2.1). It should be noted that residential property also covers real property in a rural location. For example homesteads, self-contained free standing units. The property cannot be located on land being used for commercial or primary production.

The advisory committee was unable to settle on a definition of the term "residential real property", and the proposed definition was developed during the drafting process. The terms "residential", "industry", "commerce" and "primary production" are not defined in the draft legislation and their ordinary dictionary meaning would apply.

Boundaries are placed around the licence category by defining the regulated scope of work permitted by the licence, and these are consumer protection and risk based. Regulated work means work that can only be carried out by a person licensed for the relevant category (i.e. the type of work permitted under that licence, for example, a real estate agent is licensed to *perform* regulated real estate agency work). The description of the regulated work developed by the advisory committee assisted with the development of the draft legislation. However, in developing the

legislative schema, the wording may differ from the advisory committee's advice. The description of regulated work must not have unintended consequences and must require a person working in a non-property occupation to hold a licence to undertake part of their work.

Examination of current jurisdictional scopes of regulated work assisted the advisory committee develop the policy description that informed the drafting of the regulated work. Even though the regulated work of a real estate agent is perceived to be the same across Australia, the different wording used in jurisdictional legislation appears to suggest that this may not necessarily be the case. Examples of jurisdictional regulations for real estate agency work follow.

- **New South Wales – real estate agent** means a person (whether or not the person carries on any other business) who, for reward (whether monetary or otherwise), carries on business as an auctioneer of land or as an agent:
 - (a) for a real estate transaction, or
 - (b) for inducing or attempting to induce or negotiating with a view to inducing any person to enter into, or to make or accept an offer to enter into, a real estate transaction or a contract for a real estate transaction, or
 - (c) for the introduction, or arranging for the introduction, of a prospective purchaser, lessee or licensee of land to another licensed agent or to the owner, or the agent of the owner, of land, or
 - (d) collecting rents payable in respect of any lease of land and otherwise providing property management services in respect of the leasing of any land, or
 - (e) for any other activity in connection with land that is prescribed by the regulations for the purposes of this definition.¹²
- **Queensland – Division 1 – Real estate agent's licence**

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 - (1) A real estate agent's licence authorises the holder of the licence (real estate agent) to perform the following activities as an agent for others for reward –
 - (a) to buy, sell, exchange, or let places of residence or land or interests in places of residence or land; to buy, sell, exchange, or let businesses or interests in businesses;
 - (c) to collect rents;
 - (d) to buy, sell or exchange livestock or an interest in livestock;
 - (e) to negotiate for the buying, selling, exchanging, or letting of something mentioned in paragraph (a) or (b);
 - (f) to negotiate for the buying, selling or exchanging of something mentioned in paragraph (d).
 - (2) A real estate agent may perform the activities in the carrying on of a business, either alone or with others, or as an employee of someone else.¹³
- **South Australia – 4 – Meaning of agent**
 - (1) A person is an agent for the purposes of this Act if the person carries on a business that consists of or involves –
 - (a) selling or purchasing or otherwise dealing with land or businesses on behalf of others, or conducting negotiations for that purpose; or

¹² *Property, Stock and Business Agents Act 2002* No 66, section 3, 'Definitions'.

¹³ *Property Agents and Motor Dealers Act 2000*.

(b) selling land or businesses on his or her own behalf, or conducting negotiations for that purpose.¹⁴

Question: Under national licensing, the scope of regulated work for a real estate agent includes work relating to rural property. Do you agree with this proposal?

Question: Under national licensing, the scope of work for a real estate agent excludes work primarily for the purpose of “industry, commerce or primary production”. However, these terms have not been defined. Should a definition for each of these terms be included in the national legislation?

3.4.1.2 Business agents

Table 3.3: Proposed licence category, proposed regulated work and associated definition for a business agent

Licence category	Proposed regulated work
Business agent	Business agency work means the sale, purchase or lease of a business, on behalf of another person, for fee, gain or other reward.

Business agents assist buyers and sellers of businesses in the negotiation, sale and purchase process. While the sale or purchase of real property is often associated with the sale or purchase of a business, these activities are not part of the regulated work of a business agent. Information provided by the Australian Institute of Business Brokers Inc. indicates that the work of a business agent is essentially about the sale of business assets and includes both tangible and intangible assets and also includes:

- analysing the financial performance of a business
- understanding business concepts and small to medium-sized enterprises
- understanding the implications of local and international economic issues
- appraising and valuing businesses and understanding complex valuation principles
- analysing financial statements
- understanding the taxation implications.

The introduction to the CPP07 Property Services Training Package provides an overview of the business agent industry as:

*An emerging specialised area in the property services industry which focuses on the valuation, acquisition, marketing, merging and selling of different types of businesses, such as news agencies, resorts, caravan parks, franchises and hotels. Business brokers require a mix of selling, marketing, administration, legal, financial and small business competencies. The diversity of skills required by business brokers, coupled with the fact that most agencies are small to medium-sized enterprises, has led to demand for flexible qualifications that address both the operational and managerial skill needs of the sector.*¹⁵

The option of an endorsement on a real estate agent’s licence for business agency work was considered by the advisory committee. However, an endorsement would permit a person to take on an additional scope of work for a licence category and would be dependent on a person holding an

¹⁴ Land Agents Act 1994 (SA).

¹⁵ CPP07 Property Services Training Package, Volume 1: Property development, sales and management sector, p. 85.

existing licence. It was agreed that business agency work is not additional to that of a real estate agent; rather it is a different type of agency work with distinct skills. Accordingly, it is proposed that there should be a separate category of licence for business agents.

Under national licensing an individual, persons in a partnership and a body corporate would be able to apply for this licence category.

3.4.1.3 Strata-managing agents

Table 3.4: Proposed licence category, proposed regulated work and associated definition for a strata-managing agent

Licence Category	Proposed regulated work and associated definitions
Strata-managing agent	<p>Strata-managing agency work means managing, for a fee, gain or reward, any function of a body corporate or owners' corporation on behalf of the body corporate or owners' corporation under a strata or community title scheme.</p> <p>Strata or community title scheme, for a participating jurisdiction, means a scheme that has been declared by a law of that jurisdiction to be a strata or community title scheme for that jurisdiction for the purposes of this law.</p>

Strata-managing agents act on behalf of a body corporate or owners corporation in the management of real property under a strata or community title scheme.

Under strata or community title, individuals own a unit of the property in a building or collection of buildings. This is a growing segment of the property industry. There is also common property (external walls, windows, roof, driveways, and gardens) which involves shared ownership by each unit owner. It is common practice for an owners corporation or a body corporate to employ a strata-manager to manage day-to-day operations and management of the strata or community title scheme. The functions may include;

- operating trust accounts
- preparation and lodgement of BAS/Tax returns
- administrative services
- arranging insurance valuations
- preparation and lodgement of insurance claims
- arranging insurance policies and renewals
- undertaking building inspection and producing relevant reports
- arranging for qualified contractors to undertake repairs and maintenance of the common property

The advisory committee recommendation for a separate licence category for strata-managing agents was based on the potential risk of defalcation of funds held in trust by strata managing agents hold can large amounts of money on behalf of the body corporate or owners corporation. Under national licensing an applicant would need to meet the proposed personal probity and financial probity eligibility requirements and skill eligibility requirements. Individuals, persons in a partnership and a body corporate would be able to apply for this licence category.

A person who carries out strata-managing agency work that consists only of maintaining or repairing property for which a body corporate or owners corporation is responsible would be exempt from requiring a licence to perform this work.

Strata-managing agents are currently licensed in different ways in four jurisdictions: New South Wales issues a separate licence, Victoria operates a registration system and in the Australian Capital Territory and the Northern Territory this work can be undertaken by a real estate agent.

Queensland, South Australia and Tasmania do not currently license strata-managing agents and will not be required to do so under national licensing.

Victoria takes a different approach the other jurisdictions in the way it registers appointed owners corporation managers (strata managing agents) and this is outlined below.

The Victorian registration scheme, introduced in late 2007, is based on minimal regulatory intervention and aims to provide a mechanism to assist consumers make decisions about engaging a manager and to facilitate the dissemination of information to managers. A manager is required by legislation to act honestly, exercise due care, not act improperly, hold money on trust,¹⁶ and hold separate accounts for each owner's corporation. The eligibility criteria includes: an age requirement, mental capacity and insolvency declaration and a requirement for professional indemnity insurance. There is no qualification requirement. A prescribed fee is paid to the regulator who processes the application.

Question: Do you consider that the national licensing proposals for strata managers are preferable to a registration scheme (such as that in Victoria) for this occupation?

Note: Under the Victorian registration scheme, strata managers register with the regulator and there are no skills based eligibility requirements.

Impact of the proposed regulated work

The Victorian government is of the view that the proposed scope of work for strata-managing agents under national licensing is broader than the scope of work for registered owners corporation managers in Victoria. Therefore, it may capture some people in Victoria who are currently undertaking management functions without being required to be registered.

In Victoria, an owners corporation may appoint or employ a person to assist it to perform its functions or it may appoint a person to be its manager. If a person wishes to carry out any of the *functions of a manager* for fee or reward they must be registered. A person who is employed or appointed to assist an owners corporation to carry out its functions, without having any conferral or delegation, may perform similar functions to a manager without being registered.

The proposed scope of regulated work for national licensing refers to *any function of an owners' corporation* and may capture any person appointed to assist an owners' corporation to perform its functions. For example, independent contractors are engaged as hoc to assist an owners' corporation to arrange maintenance or other work.

While an exemption is being proposed under national licensing to cover a person *maintaining or repairing property for which a body corporate or owners corporation is responsible*¹⁷, it does not include *arranging* for the maintenance or repairing work to be done. While it is not possible to estimate the number of appointees in Victoria that could require a licence to perform this area of work under national licensing, there are around 88,500 owners corporations compared to 545 registered managers, including individual and corporate managers. This is a transitional issue for Victoria, however feedback on this issue is being sought through this consultation process.

¹⁶ In Victoria a manager of an owners corporation, professional or otherwise, holds money 'on trust' for an owners corporation. This means that all fees levied by an owners' corporation must be paid into a bank account either in the name of the owners' corporation or the manager. The owners' corporation must keep proper accounts of all income and expenditure, prepare annual financial statements and present these to the annual general meeting. Larger owners corporations are required to have their accounts audited.

¹⁷ Section 5 (1) (j) a person who carries out strata management agency work that consists only of maintaining or repairing property for which a body corporate or owners corporation is responsible.

Strata managing agent employees

The registration of employees working for a strata-managing agent, (or owners' corporation manager), was not recommended as there was insufficient evidence of risk associated with this level of work.

3.4.1.4 Agent's representative

Table 3.5: Proposed licence category, proposed regulated work and associated definition for agents' representative

Registration category	Proposed regulated work
Agent's representative	Agent's representative work means real estate agency work or business agency work carried out as an employee of, and under the supervision of, a person who holds a real estate agent's licence or business agent's licence.

An agent's representative is an employee of a licensed estate agent or a licensed business agent (where licensed separately) who can perform most of the regulated work of the employer but must do so under supervision. In most jurisdictions, an agent's representative cannot operate an agency business. It was considered desirable to retain the supervised level of licensing as the range of regulated functions of an employee is similar to that of the employer, albeit with a different level of responsibility. Under national licensing agent's representatives will not be able to operate a business, and therefore the registration will only be available for individuals.

Separate real estate agent's representative and business agent's representative categories

The majority of the advisory committee agreed that there should be a separate business agent's representative category in national licensing based on the rationale for the licensing of business agents. Business agent's representatives are currently licensed separately in the three jurisdictions that license business agents, except for Western Australia where there is a generic sales representative category. In other jurisdictions, except Tasmania where the employee level is captured under a negative licensing approach, the work is combined with that of a real estate agent's representative. Ongoing analysis work of property occupations has found that a single (generic) agent's representative category should be proposed for national licensing, rather than separate registrations for both the real estate agent's representative and the business agent's representative. This is also supported by the advisory committee's agreement to the development of a new unit which in fact combines CPPDSM4080A *Work in the real estate industry* and CPPDSM4079A *Work in the business broking sector*, and a common recommended unit to interpret legislation to complete agency work. Therefore, a person would be trained to work in both sectors of the industry and would only require one licence.

Registration scheme

Following assessment of the risks associated with an agent's representative's work, the advisory committee has recommended that an employee registration scheme should be adopted under national licensing.

All jurisdictions, except Tasmania, currently license or register the employee level, with the applicant required to meet a range of eligibility criteria usually including personal probity (verified by a police check) and qualification requirements. These applications are processed by the regulator, who makes a decision on the application and has responsibility for granting, refusing and renewing the licence or registration. Tasmania has a negative licensing arrangement under which employees are required to have specified qualifications and employers are required to maintain a list of employees. In Victoria, the onus for registration also falls on the employer rather than the employee and no licence fee is paid to the regulatory authority. A Victorian applicant is required to submit evidence of

completion of qualification requirements and a certificate from the chief of police. The employer assesses the evidence and advises the regulator if the person is subsequently accepted and employed. The employer is also responsible for:

- issuing a written authority to the agent’s representative to act on the employer’s behalf
- ensuring a person remains eligible for the period of the employment
- retaining copies of records relating to the agent’s representative
- advising the licensing authority that a person has ceased to work for the agent.

The advisory committee considered that while there were benefits with the Victorian approach, particularly the removal of complex application processes and the time delays associated with submitting the application and having it assessed by a regulator, it did not support the adoption of the scheme. Employees are highly mobile and a requirement for employers to advise the regulator each time an agent’s representative commences or ceases work would place a considerable burden on a real estate agent. In addition, adopting the Victorian model would mean that compliance and disciplinary action could not be funded by applicants’ fees for registration.

Based on consideration of the above, the advisory committee has recommended a registration system of agent’s representatives with the features shown in Table 3.6. This model was strongly supported by the Real Estate Institute of Australia. Table 3.6 also compares the proposed registration system to the current Victorian system.

Table 3.6: Comparison of the proposed registration scheme for a property agent’s representative and the Victorian model

Proposed national licensing registration scheme	Victorian registration scheme
<ul style="list-style-type: none"> • The applicant is responsible for providing all required documentation (personal probity (verified by a police check) and qualification requirements) to the regulator • the regulator is responsible for assessment of the application and includes: <ul style="list-style-type: none"> – assessing the personal probity requirement verified by the police check – validating the applicant’s qualification – retaining copies of records relating to the agent’s representative • a prescribed fee* is paid to the regulator • an over-the-counter issuing of the registration by the regulator, where possible. • three year registration period is proposed • Details of registrants would be included on the national licensing register administered by regulators. 	<ul style="list-style-type: none"> • The employer is responsible for: <ul style="list-style-type: none"> – issuing a written authority to the agent’s representative to act on the employer’s behalf – ensuring a person remains eligible for the period of the employment – validating the applicant’s qualification – assessing the personal probity requirement verified by the police check – retaining copies of records relating to the agent’s representative – advising the licensing authority that a person has ceased to work for the agent. • No fee* is paid to the Victorian regulator • re-registration occurs with new employment arrangements

*Under either registration scheme, the national licensing or Victorian proposal, individual jurisdictions will set any prescribed fee to be paid to the regulator.

Question: Do you consider that the registration scheme for agent's representatives proposed under national licensing is preferable to a registration scheme such as that in Victoria)?

Note: Under the Victorian registration scheme, the representative's employer is responsible for their employee's registration and ensuring that the representative has satisfied the skills based eligibility requirements.

Impact from the proposed regulated work

The current scope of work for an agent's (sales) representative in South Australia is broader than the proposed scope of work under national licensing. For example, the drafting of contracts is within the scope of the licence.¹⁸ Under the no disadvantage principle, current licensees could be transitioned to a restricted national real estate agent's licence. However, new entrants would only be able to perform the regulated work proposed under national licensing.

Conversely, South Australia includes commercial property management within the scope of work of an agent's (sales) representative, but residential property management is not included. People performing residential property management work must be employed by a licensed land agent. A real estate (land) agent is authorised to perform both residential and commercial property management. This work is proposed to be included within the scope of the property agent's representative under national licensing. The licence policy development process noted that while capturing the property management function may increase the regulatory burden in South Australia, there are advantages to individuals through increased mobility and creation of improved career paths. This is a transitional issue for South Australia.

3.4.1.5 Auctioneer

Table 3.6: Proposed licence category, proposed regulated work and associated definition for agents' representative

Licence category	Proposed regulated work
Auctioneer	Auctioneering work means the auctioning of residential real property, on behalf of another person, for fee, gain or other reward.

An auctioneer's licence for the auctioning of residential real property is proposed and will be issued to individuals and will not be available for a body corporate (as is currently the case in some jurisdictions). Personal property or the auctioning of livestock are not proposed to be included a part of the regulated work. (See 3.4.2.2). As outlined above, national licensing would not include non-residential property, and therefore non-residential property would also not be part of the regulated work of an auctioneer.

Currently all jurisdictions license auctioneers of real property, albeit in different ways. Auctioneers in New South Wales, Victoria and the Australian Capital Territory are also real estate agents. In South Australia an auctioneer is either a land agent or a sales representative. A separate licence is issued in Queensland, Western Australia and the Northern Territory without a prerequisite of being a real estate agent. In Queensland a pastoral house licence also authorises the auctioning of rural land and a small number of non-rural land auctions per year, in addition to the sale of rural land.

¹⁸ A provision in the *Legal Practitioners Act 1981 (SA)* recognises the skills and training of sales representatives to allow this work.

Auctioneers conduct auctions through and on behalf of real estate agents. The policy development process found that while an auctioneer may not necessarily be involved directly with risks associated with financial transactions, it is essential that they have a sound understanding of legislation. It was also noted that currently auctioneers sign contracts on behalf of buyers in some jurisdictions.

An auctioneer under national licensing would confirm the reserve price with the seller, plan and implement auction-day procedures, and completing follow-up procedures after auction sale. However, the auctioneer would not be authorised to operate a trust fund; this would be the responsibility of the real estate agent.

Question: Under national licensing, the licence categories of auctioneer and agent’s representative will only be available to individuals (not body corporate). Do you agree with this proposal?

Question: Do the proposed scopes of regulated work correspond to the actual work of licensees in each proposed licence category?

- i. real estate agent
- ii. business agent
- iii. strata-managing agent
- iv. agent’s representative
- v. auctioneer

3.4.2 Consideration of other possible areas of regulated works

3.4.2.1 Non-residential agency work¹⁹

Non-residential property work currently forms part of the regulated work of a real estate agent in all jurisdictions, although some deregulation has occurred. Non-residential property is defined as property that is used primarily for the purposes of industry, commerce or primary production. However, it is proposed that this area of work not be licensed. It was found that this sector does not fit comfortably within the usual consumer protection framework that underpins licensing of property occupations. The assessment of the risks involved in non-residential property transactions identified that there are few complaints to consumer protection agencies in relation to these transactions as most parties are sophisticated consumers who are familiar with working in the industrial, commercial or primary production environment and able to seek redress through legal action in relation to the contractual issues involved. For some time the Shopping Centre Council of Australia has held the view that large non-residential property owners do not need consumer protection.

The risks in the non-residential property market appear to differ from those in the residential market:

¹⁹ The term ‘commercial’ can have different interpretations and is not being used to describe this type of property agency work. For example, in Queensland ‘commercial’ relates to debt collectors for which there is a separate licensing regime.

- While non-residential transactions may in some instances be infrequent, on the whole, sellers and purchasers tend to be business people operating in a business environment.
- There are laws that provide protection for some aspects of the industrial, commercial or primary production market (e.g. retail tenancies legislation).

Some members of the advisory committee considered that licensing should be retained for the 'low end' of non-residential property transactions and proposed an exemption from licensing based on the concept of a sophisticated consumer operating at the 'high end'. However, the advisory committee found it difficult to clearly define the cut-off point (either as a dollar figure or by description of parameters) for a sophisticated consumer. In addition, no evidence or data was identified pointing to risks at the lower end for the non-residential sector. If non-residential property work were to be included in the regulated work of a real estate agent under national licensing, the advisory committee proposed that there should be an exemption for transactions between related entities, when the agent and vendor are related. It was noted that there may be complexity in developing a definition for the regulations.

Real Estate Institute of Australia divergent view

The Real Estate Institute of Australia and its constituent members have since advised that the composition of the commercial market and the profile of the ownership of commercial property is not all 'high end', nor is all of it owned by multinational companies and institutions. The institute advised that most commercial property, by number, is not valued in the tens of millions of dollars. As such, for the vast majority of commercial property transactions, the institute suggests that there is a need for regulation and for the sale to be conducted by a licensed commercial property professional.

Moves towards deregulation in this area include:

- In Victoria and the Australian Capital Territory, there is a limited exemption from the requirement for certain classes of corporations to hold an estate agent's licence where the agent and the client are related corporate entities such as a parent and subsidiary company. The report of the statutory review of the *Property, Stock and Business Agents Act 2002* (NSW) recommended that New South Wales adopt the Victorian and Australian Capital Territory approach of exempting agents who work for a related corporate entity given that no substantial agency relationship exists.
- In New South Wales, following the National Competition Policy review of the *Property, Stock and Business Agents Act 1941*, a distinction was made between residential and commercial property by excluding commercial agents from a number of conduct requirements such as:
 - no cooling-off period on commercial property agency agreements
 - no need for agents to give commercial property vendors a consumer publication
 - no need for commercial sub-agency agreements to be in writing
 - no auction bidder registration requirements
 - no price substantiation provision for commercial properties
 - no need for agency agreements for commercial properties to disclose rebates, discounts and commissions
 - the ability to apply for exemptions from having a licensee in charge at each place of business

- a reduction in the number of directors of a corporation licensee who have to hold an individual licence from 50 per cent to 1.²⁰
- In Western Australia, the approach to exempting agency activities involving certain segments of the market has been adopted in the Finance Brokers Control (Code of Conduct) Regulations (see Attachment F). The regulations describe ‘a person, who regularly engages in and is conversant with loans of money (secured or unsecured) and by the person’s experience over a reasonable period of time, may be expected to fully appreciate and understand the risks involved and their consequences’. It further describes a ‘sophisticated borrower’ as ‘a person who must:
 - Have net assets of at least \$2.5 million; or
 - Have a net income for each of the last two financial years of at least \$250 000 a year.’

The *Corporations Act 2001* (Cwlth) takes a similar approach by providing an exclusion for certain persons known as ‘professional investors’ or persons who have or control gross assets of at least \$10 million (section 708).

Question: Under national licensing, it is proposed that work relating to non-residential real property, meaning property that is primarily for the purpose of industry, commerce or primary production, will not be licensed. Do you agree with this proposal?

3.4.2.2 Sale, purchase and auctioning of livestock

While the sale, purchase and auctioning of livestock, currently falls within the scope of real estate agent work in most jurisdictions, the proposed national licence categories only extend to residential real property and business agency work, a national licence is not proposed for the sale, purchase and auctioning of livestock. Although out of scope of the national system, this issue was considered by the advisory committee. The majority of members considered that there was insufficient evidence of market failure to justify licensing of these activities, recommending not including licensing requirements for the sale, purchase and auctioning of livestock. A minority of members did not support this proposal.

While no national licence is proposed, some states and territories may continue to require a licence for the auctioning of livestock (see 3.4.2.3).

The sale and purchase of livestock can involve the transfer of substantial amounts of money, however it was determined that the risks are minimal. The seller (and buyer) will have a high level of business acumen in relation to this type of transaction as this is a business transaction and occurs on a regular basis. The transaction is not a one-off occurrence, such as a person selling their home or small business.

The rural landscape is vast, nevertheless the livestock community is relatively small and the buyer and seller often know each other. The policy development process identified that trust is considered an important factor in mitigating risk in these communities. The risks of fraud appear to be minimal as any mismanagement of funds would affect a person’s reputation.

The *auctioning* of livestock currently falls within the scope of work of an auctioneer in most jurisdictions. The potential area of risk is the handling of money, and the way in which the handling

20 NSW Office of Fair Trading 2008, *Statutory review of the Property, Stock and Business Agents Act 2002*, p. 68.

of money is regulated varies across jurisdictions. In the jurisdictions where there are no legislative controls in place in relation to auctioneers' handling of money (Victoria, South Australia and the Northern Territory) there has been no evidence of market failure. A range of options exist for auctioneers in these jurisdictions such as voluntary use of a trust account, use of a business bank account, or operating in conjunction with an estate agent who deposits money in a trust fund.

The risks associated with the substitution of livestock after it has been sold either at a sale yard or by private treaty are covered by the stringent legislative requirements for the health and safety of livestock.

The evidence presented suggests that the rural sector is effectively managing compliance and conduct for the sale, purchase and auction of livestock. This includes the jurisdictions where there are no legislative controls in place.

Australian Livestock and Property Agents Association divergent view

The Australian Livestock and Property Agents Association did not agree with the majority view of the advisory committee and strongly opposed the non-inclusion of the auctioning of livestock within the scope of the auctioneer's licence. The association did, however, accept that the sale and purchase of livestock could be excluded from the scope of work of a real estate agent. The association stated that its members set great value on the holding of occupational licences as a sign of their professionalism, and regarded the non-inclusion of the auctioning of livestock as a diminution of members' standing. The association also provided information about certain risks associated with the sale, purchase and auctioning of livestock in the form of a Victorian Department of Primary Industries Regulatory Impact Statement for proposed Livestock Disease Control Regulations 2006. However, the risks outlined in that document relate to the risks covered by health legislation and it does not identify risks associated with the licensing of agents selling and purchasing livestock on behalf of a third party.

Question: Under national licensing, it is proposed that the purchasing, selling or auctioning of livestock will not be included in the scope of regulated work of an auctioneer or real estate agent and that these activities will not be licensed at the national level. Do you agree with this proposal?

3.4.2.3 Goods and chattels licences in four jurisdictions

The auctioning of goods and chattels including livestock would continue to be licensed in four jurisdictions (Queensland, Western Australia, Tasmania and the Northern Territory) after national licensing commences. The Australian Livestock and Property Agents Association has drawn attention to the fact that this means that holders of a national licence for auctioning of real property who also wish to auction other property such as livestock would be required to hold both a national and a jurisdictional licence, which represents a considerable increase in regulatory burden. A sub-committee of the advisory committee examined this issue and put forward a rationale for a solution. It is based on the proposition that the holder of an auctioneer's licence under national licensing should also be able to auction goods and chattels including livestock without the need to hold a further licence. The proposal is based upon the following rationale: A national licensing auctioneer will have already met both skills-based and non-skills-based eligibility requirements including training relevant to the conduct of auctions and personal probity. The skills for auctioning all property are similar and the risks are therefore considered to be minimal.

The four jurisdictions in question are, therefore, encouraged to consider amending their legislation to enable future holders of an auctioneer's licence under national licensing to also auction livestock, without the need to hold an additional goods and chattels licence.

Question: Do you agree with the proposal that an exemption from holding a jurisdictional licence for the auctioning of livestock should be considered by the relevant jurisdiction if the applicant holds a national auctioneer?

3.4.3 Proposed national licensing model across Australia

Table 3.7 illustrates where national licensing will occur for particular occupations across Australia. It should be noted that under national licensing, jurisdictions that currently do not license a particular category of an occupational area would not be required to issue licences for that category (i.e. the jurisdiction could choose for that category of regulated work to remain unlicensed in that jurisdiction). However, where the part of the scope of the work is licensed in some way, a jurisdiction would be required to either pick up the full category or deregulate. For example, the Australian Capital Territory and the Northern Territory do not issue a strata managing agent’s licence but regulate through a real estate agent’s licence. These jurisdictions would therefore issue a strata managing agent’s licence under national licensing. The current licence categories offered by each jurisdiction are listed in Attachment E.

Table 3.7: Proposed national licensing categories across jurisdictions

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Real estate agent	✓	✓	✓	✓	✓	✓	✓	✓
Business agent	✓	✓	✓	✓	✓	✓	✓	✓
Strata managing agent	✓	✓					✓	✓
Property agent’s representative	✓	✓	✓	✓	✓		✓	✓
Auctioneer	✓	✓	✓	✓	✓	✓	✓	✓

A comparative mapping of national licensing licence categories and licensing arrangements against each of the current jurisdictional licence categories and licensing arrangements is available in Attachment B.

3.4.4 Nominees

The *Occupational Licensing National Law Act 2010* (National Law) provides that when a body corporate, a person in their capacity as a member of a partnership, or an individual who does not hold the relevant technical skills applies for an agency (business) licence, they will be required to nominate a nominee. The nominee will be an individual licensee who has the technical skills to do the work. This requirement addresses the issue of a business entity, in itself, being unable to possess skills and expertise. The nominee should be a director or an employee and agree to hold the responsibility of nominee (as set out in the relevant jurisdictional conduct legislation). Agency (business) licences will be available for real estate agents, business agents and strata-managing agents.

Rationale

There was substantial discussion among jurisdictions on whether the role of the nominee should be set out in legislation and the extent to which a nominee should be responsible for the supervision of other staff carrying out the licensed work to an appropriate standard. As there are substantial differences between jurisdictions on the current role of nominees, it was agreed that the role should not be defined in the national licensing legislation or regulations, but will continue to be set under the separate state and territory legislation relating to the conduct of licensees and businesses.

Nominees will not, therefore, be subject to additional probity requirements beyond those necessary for them to obtain a licence.

A body corporate may choose to have more than one nominee. A business requiring a nominee will be required to have a nominee at all times to undertake regulated work and will be required to notify the licensing authority if the business no longer has a nominee. In situations where the nominee is no longer employed or able to operate as a nominee, the licensing authority would have the discretion to authorise a business to operate for a set period with an interim nominee under prescribed conditions.

Question: Do you agree the requirements proposed under national licensing for body corporate holding a real estate, business agent or strata managing agent licence to appoint a nominee are appropriate?

3.4.5 Exemptions

The National Law makes it an offence for an individual or business entity to undertake regulated work unless that individual or business entity holds a licence or is exempt.

Under amendments proposed to the National Law a person must not carry out, or enter into a contract to carry out, regulated work unless the person:

- holds a licence to carry out the regulated work; or
- is exempt under the national law from the requirement to hold a licence to carry out the regulated work; or
- is exempted by the licensing authority, in accordance with the national law, from the requirement to hold a licence to carry out the regulated work.

The policy development process identified that the classes of persons described below should be exempt from the requirement to hold a licence to carry out regulated work:

- the State within the meaning of section 8 (2) of the National Law²¹
- a local government or local council
- a public guardian
- a public trustee
- an executor, administrator, trustee, liquidator, official receiver, trustee or assignee of a bankrupt for the purposes of exercising his or her functions in that capacity
- an Australian legal practitioner for the purpose only of carrying out the ordinary functions of an Australian legal practitioner
- for a business agency licence, a person carrying out business agency work if the person holds a financial services licence under the *Corporations Act 2001* (Cwlth)
- an employee of an authorised financial institution but only in carrying out the ordinary functions of an employee of a financial institution. (Authorised financial institution means a

²¹ **Occupational Licensing National Law Act 2010 No. 66 of 2010** section 8 Law binds the State

(2) State means the Crown in right of this jurisdiction, and includes—

(a) the Government of this jurisdiction; and
 (b) a Minister of the Crown in right of this jurisdiction; and
 (c) a statutory corporation, or other entity, representing the Crown in right of this jurisdiction.

financial institution that under a prescribed law is approved or otherwise authorised to receive trust funds or keep trust accounts. Financial institution means an authorised deposit-taking institution within the meaning of the *Banking Act 1959* of the Commonwealth)

- a person who is carrying out regulated work that consists only of leasing residential real property for less than three months. Two or more consecutive lettings of the same residential property to the same person are to be considered to be a single letting for calculating the length of the lease
- a person who carries out strata management agency work that consists only of maintaining or repairing property for which a body corporate or owners' corporation is responsible.

Rationale

Exemptions are only applied when it is considered that the benefits of allowing the work to be done by unlicensed persons outweigh the costs associated with consumer risk (for example, sale of real property by auction as part of a charitable appeal or fundraiser) or there are other regulatory controls in place (for example, a business agent who holds a financial services licence under the Corporations Act). In the case of the regulated work for the property agency occupations, there are a number of professionals for whom the sale or lease of property is part of their ordinary duties and it was considered inappropriate that they be captured by licensing requirements.

As discussed under 3.4.2.1, licensing of commercial agency work is not being proposed under national licensing. However, if commercial work were to be included under national licensing, coverage should exempt transactions with related entities. The parties to these types of transactions are often large and related corporations. For example, the leasing or sale of premises in large shopping complexes is usually undertaken by an employee of the company. However, the advisory committee expressed the view that there could be difficulty in developing an exemption for this purpose.

Question: Do you agree the exemption regime proposed under national licensing is appropriate?

3.4.6 Non-skill eligibility requirements

Regulatory regimes develop criteria to determine an applicant's or licensee's suitability to hold a licence in specific occupations. These criteria are designed to minimise risks associated with matters such as incompetent work and public and personal safety, and risks to property and money held in trust. Risks associated with property work are summarised in Attachment F.

The issuing or renewal of a licence is premised on reducing these risks by requiring the applicant to meet specific eligibility requirements. For example, an applicant or licensee may be assessed against personal or financial probity conditions, age or health and fitness requirements or requirements to hold insurance. The National Law provides for non-skill eligibility criteria that include personal and financial probity requirements.

3.4.6.1 Relevant person

The National Law also provides for the identification of a relevant person or persons for a body corporate and stipulates that they are subject to personal and financial probity checks. This aims to prevent a person from hiding behind a corporate structure, for example, where an individual has been banned from undertaking work in a licensed occupation and endeavours to use a corporate structure as a front to continue operating in the industry.

It is proposed that relevant persons for the property occupations are all directors of a body corporate (as defined in the *Corporations Act 2001* (Cwlth)), each member of a partnership and any

other individual who is in effective control of the business. A person in effective control of a business is someone who is regularly or usually in charge of the business, and has control or influence over how the business is managed.

3.4.6.2 Proposed personal probity eligibility requirements

The National Law makes provision for the personal probity requirements that may apply to an individual, a nominee or other relevant person for a body corporate. The legislation may provide for:

- matters relating to the criminal history of the person, to the extent that there is a connection between the criminal history of the person and the inherent requirements of the occupation for which the person is an applicant, licensee, nominee or relevant person

Note: Matters relating to the criminal history of persons will be subject to legislation of participating jurisdictions that prohibits, or does not require, the disclosure of spent convictions.

- matters relating to the conduct of a person in carrying out business, including, for example, matters relating to duties as a director of a corporation or the imposition of civil penalties or orders in relation to carrying out business.

Guidelines would need to be developed to ensure consistency in the application of probity requirements. The personal probity requirements proposed are shown in Table 3.8.

Table 3.8: Personal probity requirements

Type of applicant	Category	Personal probity requirement
Individual Person acting in their capacity as a member of a partnership Relevant person for a body corporate or partnership Body corporate	Real estate agent Business agent Strata- managing agent	Matters relating to the criminal history of a person, i.e.: <ul style="list-style-type: none"> • offences relating to dishonesty • offences relating to misleading or deceptive conduct Matters relating to business conduct. This means any action taken against a person under the <i>Corporations Act 2001</i> in relation to the following: <ul style="list-style-type: none"> • failure to exercise powers with care and diligence • failure to exercise powers in good faith and for a proper purpose • misuse of position to gain advantage or cause detriment to a company • misuse of information obtained by virtue of the person's position to gain advantage or to cause detriment to a company • breach of the procedures under that Act when given a financial benefit to a related party of a company • failure to comply with financial reporting requirements under that Act • breach of the duty not to trade while insolvent.
Individual	Auctioneer Property agent's representative	Matters relating to the criminal history of a person who is an applicant, licensee, nominee or relevant person, i.e.: <ul style="list-style-type: none"> • offences relating to dishonesty • offences relating to misleading or deceptive conduct

Rationale

Current personal probity requirements can include checks for disqualified licences and criminal history checks. The application of these checks varies across jurisdictions. Under national licensing, personal probity requirements in relation to the criminal history of a person will apply to all property licence applicants and relevant persons for a body corporate or partnership. Checks can only be carried out to the extent that there is a connection between the criminal history of the person and

the inherent requirements of the occupation for which the person is an applicant. (See Attachment B for a summary comparison of current and proposed arrangements.)

This connectivity test was fundamental in the policy development process, which focused on ensuring that licence requirements were directly relevant to risks to public or consumer safety for the specific occupation. The test did not capture risks that were unrelated to the carrying out of the occupation.

For example, because an agent is responsible for both fulfilling the terms of the agency agreement and ensuring the safety of money held in trust, the requirements for an agent were considered to be far higher than those of an agent's representative who is an employee.

The risks identified during the policy development process mainly concerned those arising from integrity or honesty. It was acknowledged that there could be a case for applying personal probity criteria in relation to the carrying out of a business and that this should be applied to individuals and relevant persons for a body corporate. In this regard, the proposed offences are based on dishonesty offences such as blackmail, extortion, theft, fraud and deceptive practices.

Some jurisdictions consider that additional safeguards are necessary and have supported prescribing additional matters relating to offences against a person that are not inherent in the requirements of the occupation. The rationale behind the proposal is that, in undertaking licensed work, licensees interact at some level with other people, such as customers, employees, suppliers or other licensees. For example, electricians and plumbers will, in a wide range of the proposed licence categories, have access to private property and homes to undertake inspections, maintenance, repairs and installations. Real estate agents and sale representatives routinely enter customers' premises for the purposes of assessing value, conducting open home inspections and undertaking property management. In some jurisdictions, existing licensing laws provide the regulator with discretion to exclude persons from the licensed occupation based on relevant criminal histories involving offences against the person.

It should be acknowledged, however, that legal case history indicates that refusal to grant a licence on such grounds may be overturned on appeal to the courts, precisely because of the lack of direct connection between the offence and the carrying out of the occupation. There are social justice factors to be considered where a person is prevented from earning a livelihood due to past behaviour for which a penalty has been paid.

3.4.6.3 Other non-skill requirements

Currently some jurisdictions require checks or declarations for a person's health and fitness, or if the person is under guardianship orders. These requirements are not proposed to form any part of national licensing eligibility requirements.

Question: Do you agree the personal probity, including 'relevant person' requirements, proposed under national licensing adequately address issues of consumer risk?

3.4.6.4 Proposed financial probity requirements

The National Law provides for the financial probity requirements a person must satisfy to be eligible for a licence. Financial probity eligibility requirements aim to determine whether the financial integrity of the applicant is such that the risk for consumers in dealing with the licensed person is minimised. One of the aims of licensing of business entities is to protect consumers from those who have been involved in the mismanagement of business.

The financial probity requirements proposed for each type of applicant and licence category are shown in Table 3.9.

Table 3.9: Financial probity requirements

Type of applicant	Category	Financial probity requirement
Individual Person acting in their capacity as a member of a partnership Body corporate Relevant person for a body corporate or a partnership	Real estate agent Business agent Strata managing agent	A person who is an applicant or a licensee is not eligible for a licence if the person: <ul style="list-style-type: none"> is bankrupt or insolvent, compounds with creditors, enters into a compromise or scheme of arrangement with creditors or otherwise applies to take the benefit of any law for the relief of bankrupt or insolvent debtors; or has within the last five years been a relevant person for another person who, during that five-year period, was bankrupt, insolvent, compounded with creditors or entered into a compromise or scheme of arrangement with creditors or otherwise applied to take the benefit of any law for the relief of bankrupt or insolvent debtors; is a body corporate or a member of a partnership, a relevant person for the body corporate or member is bankrupt, insolvent, compounds with creditors or otherwise applies to take benefit of any law for the relief of bankruptcy or insolvent debtors. <p>or</p> <ul style="list-style-type: none"> fails to pay a penalty, fine or other amount ordered by a court or tribunal to be paid or required to be paid under this law.
Individual	Agent's representative Auctioneer	A person who is an applicant or a licensee is not eligible for a licence if the person fails to pay a penalty, fine or other amount ordered by a court or tribunal to be paid or required to be paid under this law.

Rationale

The policy development process recommended a consistent approach whereby to be eligible for an agent's representative licence under national licensing the applicant must meet requirements that relate to the failure to pay fines, and an applicant for an estate agent's licence must meet both insolvency history and failure to pay fines requirements. Further consideration of these requirements has resulted with proposing financial probity requirements, in relation to failure to pay fines, for auctioneers. As with personal probity, the regulator will have the authority to refuse a licence application if the set standards are not met. (See Attachment B for a summary comparison of current and proposed arrangements.)

Question: Do you agree the financial probity eligibility requirements proposed under national licensing adequately address issues of consumer risk for each of the following?

- i. real estate agent
- ii. business agent
- iii. strata managing agent
- iv. agent's representative
- v. auctioneer

3.4.7 Skills-based eligibility requirements

The National Law specifies the qualifications, skills, and knowledge required for the issuing of a licence. The aim of eligibility requirements based on qualifications, skills and knowledge is to protect consumers from engaging practitioners who may deliver substandard service due to failure to reach a minimum standard of competence. Key considerations in developing a proposal for skills-based eligibility requirements were:

- Australia's national vocational education and training system should provide the foundation for the requirements. The system comprises various elements that work together to ensure the

quality and integrity of training and assessment services of registered training organisations across Australia. Nationally agreed training packages are part of the VET Quality Framework, which includes the Australian Qualifications Framework and the Standards for Registered Training Organisations. The system enables individuals to have national recognition of the qualifications and statements of attainment achieved.

- On 1 July 2011 the Australian Skills Quality Authority became the national regulator for Australia’s vocational education and training sector. The authority regulates courses and training providers to ensure that nationally approved quality standards are met.
- COAG agreed in February 2006 to a new national approach to apprenticeships, training and skills recognition which acknowledged that national training packages provide a nationally consistent base for the skills-related requirements of most of the licensed occupations covered by the national system.
- The objectives of the intergovernmental agreement and the National Law include facilitating a consistent skill base for licensed occupations by using national training packages and skill sets as the basis for the skills-related eligibility requirements for licensed occupations in national licensing.
- The National Law (section 3(b)) requires that ‘licensing arrangements are effective and proportionate to ensure consumer protection and worker and public health and safety while ensuring economic efficiency and equity of access’. In other words, requirements for competence in particular aspects of property work should relate strongly to the regulated work and reflect areas of identified risk to the public. Where possible, eligibility requirements should be set at qualification level, and the level of qualification should be commensurate with the skills required for the specific regulated work. Where competency requirements are not neatly encapsulated in a qualification or where licensing involves a subset of regulated work, specific units of competency may be identified as a skills set.

Rationale

The aim of setting eligibility requirements based on qualifications, skills and knowledge is to protect consumers from engaging practitioners who may deliver substandard service due to failure to reach a minimum standard of competence. For qualification requirements to be effective, they should target identified market problems. The main problems arising from property work were identified by the advisory committee and the Regulator Working Group as arising from work practices that have the potential to lead to financial loss either through failure to maximise the sale price of a property, misappropriation of money held in trust or incompetent property management. It was agreed that requirements for competence in particular aspects of property agency work should relate strongly to the regulated work and reflect areas of identified risk to the public.

It should be noted that the proposed requirements do not include a separate experience requirement, and this exclusion was not supported by a minority of the advisory committee. Currently, some jurisdictions still require experience as part of their qualification requirements, although they are progressively relying on attainment of a qualification based on competency. National licensing proposes that a qualification or a skill set be the entry requirement. Requirements based on a national training package qualification should not need an additional experience requirement as the applicant has already been deemed competent.

The advisory committee has recommended the core units of competency that must be completed within each of the qualifications and has also recommended a review of some units to fully meet licensing requirements. Work has commenced by the Construction and Property Services Industry Skills Council to refine the CPP07 Property Services Training Package.

The following skills-based eligibility requirements shown in tables 3.10 to 3.15 have been proposed for the property occupations. The full list of the qualifications proposed for each licence category is at Attachment G.

3.4.7.1 Real estate agents

Table 3.10: Proposed qualifications for real estate agents

Licence category	Qualification
Real estate agent	CPP07 Property Services Training Package CPP40307 Certificate IV in Property Services (Real Estate) with specified mandatory units (full list of units are at Attachment G)

Current approaches to the qualification entry level for real estate agents differ considerably across Australia:

- New South Wales, Victoria and Queensland require a Certificate IV.
- Western Australia, South Australia, Tasmania and the Northern Territory require a diploma.
- The Australian Capital Territory requires completion of at least 18 units of competency taken from both qualification levels.

The identified risks associated with property work that could be mitigated by licensing include the safety of moneys held in trust, unethical or dishonest behaviour, poor quality of service and misrepresentation. The policy development process found that these risks could be covered by 21 units of competency undertaken to obtain a Certificate IV and that there is no evidence to support the need for a diploma level qualification rather than a Certificate IV for licensing requirements.

It was also noted that the Certificate IV level being proposed is currently the level of qualification requirement for Queensland, New South Wales and Victoria, where 83 per cent of real estate establishments are based.

Northern Territory Government view

The Northern Territory Treasurer has expressed the view that that the diploma level qualification is the appropriate entry level requirements for a real estate agent and has indicated that the diploma level requirement will remain in that jurisdiction unless there is industry support for the acceptance of the Certificate IV.

Real Estate Institute of Australia divergent view

The Real Estate Institute of Australia and its constituent members have expressed the view that the diploma qualification in the CPP07 Property Services Training Package contains the appropriate level of preliminary training for a real estate agent wishing to be able to 'hang out their shingle' in accordance with the necessary protections for consumers in the real estate marketplace.

Question: Is the proposed entry level qualification sufficient and appropriate for the scope of regulated work and consumer risk outcomes for a real estate agent licence category?

3.4.7.2 Business agents

Table 3.11: Proposed qualifications for business agents

Licence category	Qualification
Business agent	CPP07 Property Services Training Package CPP40507 Certificate IV in Property Services (Business Broking)

Rationale

The Property Services Training Package provides two specialised business agent qualifications: a Certificate IV that covers the technical work functions required of operational business agents and a diploma that provides for managerial and supervisory occupational roles.

Although the Property Services Training Package identifies a specialised area of work for business agents, the regulatory approach taken by some jurisdictions has been to acknowledge the difference in the form of a licence category without supporting this distinction with a requirement for specialist training. New South Wales, Western Australia, the Australian Capital Territory and the Northern Territory license business agents with a stand-alone category; only one adopts a specialised training package qualification as an eligibility criterion. The jurisdictions where business agency work is encompassed in that of a real estate agent only require a real estate agent’s qualification, except for South Australia, which requires the completion of a specialised business agent unit of competency (CPPDSM4079A – Work in the business broking sector).

However, the policy development process identified that the work of a business agent is a distinct area of transactions with specialist skills and proposed that CPP40507 Certificate IV in Property Services (Business Broker) should be adopted for this licence category under national licensing. Twelve units are required for the issuing of the Certificate IV. Of those, eight are being proposed for the core units, and appear to address the risks associated with the work of a business agent/broker. The remaining four units are electives and can be chosen by the applicant. The list of the full qualification can be found at Attachment G.

Question: Is the proposed entry level qualification sufficient and appropriate for the scope of regulated work and consumer risk outcomes for a business agent licence category?

3.4.7.3 Additional pathways for real estate agents and business agents

Table 3.12: Proposed additional pathways for real estate agents and business agents

Category	Additional pathway
A licensed real estate agent wishing to apply for a business agent’s licence	Skill set comprising two units of competency from the CPP40507 Certificate IV in Property Services (Business Broking)
A licensed business agent wishing to apply for a real estate agent’s licence	Skill set comprising eight units of competency from the CPP40307 Certificate IV in Property Services (Real Estate)

The advisory committee proposed combining CPPDSM4080A *Work in the real estate industry* and CPPDSM4079A *Work in the business broker sector* units of competencies as part of the redevelopment project of the CPP07 Property Services Training Package. As a result of this, the original number of units of competency proposed has been reduced. A real estate agent and a business agent would have already completed this combined unit in their original qualification.

Many of the skills required for a real estate agent are similar to those of a business agent, and a skill set comprising two units of competency was identified for licensed real estate agents wishing to apply for a business agent's licence.

A larger skill set of eight units is proposed for a licensed business agent wishing to apply for a real estate agent's licence, and comprises eight units of competency.

Question: Do you agree that the units of competency proposed as requirements for a real estate agent to qualify as a business agent are appropriate?

Question: Do you agree that the units of competency proposed as requirements for a business agent to qualify as a real estate agent are appropriate?

3.4.7.4 Strata managing agents

Table 3.13: Proposed qualifications for strata managing agents

Licence category	Qualification
Strata managing agent	CPP07 Property Services Training Package CPP40609 Certificate IV in Property Services (Operations)

The policy development process identified the CPP40609 Certificate IV in Property Services (Operations) as an appropriate qualification for a strata managing agent and identified 18 units of competency that should be completed for licensing purposes. However, members of the advisory committee agreed that there are concerns with the content and current packaging of CPP 40609 Certificate IV in Property Services (Operations), and that the content should more closely reflect identified risks and the core functions of this occupation, such as the legislative and legal obligations. The taskforce agreed to raise these issues with the Construction and Property Services Industry Skills Council.

The advisory committee was of the view that a core competency unit should include the identification and remedy of problems in common areas, such as stairwells and outdoor areas. The development or identification of this unit is included in the Construction and Property Services Industry Skills Council project to refine the CPP07 Property Services Training Package.

It should be noted that the Certificate IV requirement is a change to what is currently required in Victoria. Victoria operates a registration scheme with no qualification requirement for the registration of strata managing agents (known as an owners corporation manager in Victoria).

Question: Is the proposed entry level qualification sufficient and appropriate for the scope of regulated work and consumer risk outcomes for a strata managing agent licence category?

3.4.7.5 Agent's representative

Table 3.14: Proposed qualifications for Agent's representatives

Licence category	Qualification/skill set
Agent's representative	Skill set comprising five units of competency from the CPP07 Property Services Training Package

As outlined in 3.4.1.4, a single (generic) property agent's representative category is being proposed for national licensing. The advisory committee's proposed five units of competency for an agent's representative covers both sectors (real estate agency work and business broking work) through the

development of a new unit which combines CPPDSM4080A *Work in the real estate industry* and CPPDSM4079A *Work in the business broking sector*. A person would therefore be trained to work in both sectors of the industry.

Current approaches to qualifications requirements for agent’s representatives differ considerably across Australia:

- New South Wales, Victoria and Queensland require a skill set comprising three or four units.
- The Northern Territory requires 24 units from the Certificate IV.
- South Australia requires 17 specific units from the Certificate IV.
- Western Australia requires seven units from the Certificate IV.
- The Australian Capital Territory requires five units of competency from the CPP07 Training Package.
- Tasmania operates a negative licensing system and there is an exam approved by the licensing board.

Question: Is the proposed entry level qualification sufficient and appropriate for the scope of regulated work and consumer risk outcomes for an agent’s representative registration category?

3.4.7.6 Auctioneer

Table 3.15: Proposed qualification for an auctioneer

Licence category	Qualification/skill set
Auctioneer	Skill set comprising three units of competency from the CPP07 Property Services Training Package

The advisory committee was of the view that an auctioneer’s training should include a unit of competency that specifies the outcomes required to meet the core legal and ethical requirements associated with property sales. It should include awareness of the legislation relating to property sales, the role and responsibility of agency personnel in property sales, the administration of sales transactions and the completion of sales documentation.

Question: Is the proposed entry level qualification sufficient and appropriate for the scope of regulated work and consumer risk outcomes for an auctioneer licence category?

3.4.8 Skills maintenance (continuing professional development)

Skills maintenance (or continuing professional development) aims to manage consumer risk by providing licensees, who have general competence, with the means for responding to changes in practice and legislation and updates to standards and codes, enrich their knowledge and skills and adopt new work practices.

However, during the policy development process, the majority of advisory committee members did not support skills maintenance as a licensing eligibility requirement, particularly for renewal of licences. While there was strong support for the concept of skills maintenance, it was recognised that the training required would not always be aimed at addressing consumer risk and that in such instances it would be an additional unwarranted burden on all licensees. This view was supported by evidence of how such requirements had been applied over time in jurisdictions where skills maintenance is currently mandatory. It was also noted that there can be significant ongoing costs to both practitioners and regulators if skills maintenance is compulsory.

The regulation of the wider behaviours and standards to be met by licensees ('conduct requirements') following the attainment of a licence is not within the scope of this reform. Licensees will be responsible for ensuring that they are aware of any relevant changes to jurisdictional legislation or requirements.

Real Estate Institute of Australia divergent view

The Real Estate Institute of Australia and its constituent members have expressed the view that there should be ongoing maintenance requirements for real estate practice in Australia. The institute is of the view that the imperative for a continuing professional development program is to encourage participants to update their knowledge and skills in the areas of industry development, legislative change and work practices.

3.5 Comparison of automatic mutual recognition with national licensing

3.5.1 Labour mobility

Automatic mutual recognition could achieve some of the same labour mobility benefits as national licensing, as it would enhance the ability for some labour to flow where property occupations are most needed and would reduce administrative and financial costs in the form of additional fees where licences are held across jurisdictions.

3.5.2 Licence categories and regulated work

While national licensing seeks to harmonise and reduce the number of categories, there is not necessarily the mechanism or compulsion under automatic recognition to make such changes. Automatic recognition retains individual jurisdictions' licensing frameworks, while national licensing would have a central licensing authority responsible for developing national licence policy and legislation.

3.5.3 Conduct and compliance

Regardless of what option is adopted, licensees choosing to work in other jurisdictions outside their primary jurisdiction would still need to comply with any relevant jurisdiction-specific conduct and compliance requirements that apply to the work they intend to perform.

3.5.4 Relevant legislation

Under the automatic mutual recognition model, regulators would be required to be conversant with multiple jurisdictional licensing requirements for a range of occupations. However, under a national licensing, national legislation would apply to all jurisdictions that regulate a prescribed occupation.

3.5.5 Registers

A limited central register of disciplinary actions could be established under the automatic recognition model to enable jurisdictional regulators to be aware of any pending actions or disciplinary actions underway. Under the automatic mutual recognition model, consumers would need to search the public registers from other jurisdictions to find information on a particular licensee. However, not all jurisdictions currently have a publicly accessible register. While such a database may be significantly less sophisticated than the proposed national licensing register, and would not deliver the same level of transparency for consumers of the services or for compliance purposes, comprehensive costings would be required. Jurisdiction-based disciplinary systems may not easily interact with a central database of disciplinary actions. Without a public national licensing

register, however, a disqualified or suspended license would not be apparent to compliance officers or consumers.

The proposed national licensing model would have a national licensing register with a central database accessible only to the regulator. The national licensing register would be linked to all jurisdictional IT platforms and would be continually updated, enabling regulators to be better informed of the current status of a licensee, including any disciplinary action. Consumers would be afforded a greater level of protection by being able to view a licensee's status through the public national licensing register component of the register.

3.5.6 Jurisdiction shopping

Under automatic mutual recognition, 'jurisdiction shopping' may become more common due to differences in licensing requirements, such as lower qualification criteria, easier application processes, etc. In addition, while jurisdictions will continue to set licence fees under the proposed national licensing model, under both options jurisdiction shopping could be negated by a legislative requirement for applicants or licensees to apply for or renew a licence in the jurisdiction in which they reside.

3.5.7 Conclusion

National licensing, while more costly to implement than automatic mutual recognition, due to the need to establish common legislation and processes to administer and enforce it (through creation of a national authority), would create much more certainty for industry, consumers and licensees as to what licence requirements are, and what work licensees are qualified to perform.

National licensing would avoid the potential risk under automatic mutual recognition that licensees would feel compelled to obtain multiple jurisdictional licences in order to meet consumer or employer preferences. There is also a risk under automatic mutual recognition that without a central, coordinating body, gaining consensus on changes may be difficult and unravel over time. .

A potential benefit of the automatic mutual recognition option is that it may be implemented more quickly, minimising the transition costs, for some licences than under the national occupational licensing model. However, the speed of implementation would be strongly influenced by the extent of harmonisation of skills-based and non-skills-based eligibility requirements. Prioritisation could be given to applicable licence categories based on:

- the commonality of the licence category (or equivalent) across jurisdictions (e.g. real estate agent)
- the number of licences for the category (or equivalent) across Australia
- the prevalence of cross-jurisdictional work carried out by licensees of that category.

By focusing a process that targets licensees that operate across multiple jurisdictions rather than harmonising licence categories, qualification and eligibility requirements for all licensees, of which the majority work in only one jurisdiction, an automatic mutual recognition approach is potentially a simpler, more targeted and cost-effective solution to overcome existing labour mobility barriers than national licensing. Compared to national licensing, it would require less significant legislative changes, the development of a more limited IT register of disciplinary actions on licensees, and a smaller range of administrative actions to implement. However, depending on the degree of future harmonisation efforts, some of these immediate cost savings may be eroded over time.

This option may have cost advantages over the national licensing model in the short term, in that it may:

- not place the transition costs on licensees that would arise under national licensing when licensees (and those who do not cross borders in particular) are required to understand new licensing requirements, or (potentially) pay increased fees to fund the scheme (where regulators are self-funded)
- avoid the need to (potentially) increase fees to fund a centralised licensing body in addition to maintaining jurisdictional regulators and regulatory regimes.

The costs and benefits of both models have yet to be fully costed. While the automatic mutual recognition model may deliver some benefits more cheaply (although increased compliance costs to governments have yet to be quantified) over the short term, there are additional the benefits from the proposed national licensing model that are likely to be realised over the longer term.

Notwithstanding the cost–benefit analysis, there would appear to be overall long-term qualitative benefits in a single national system.

4 Impact analysis

This chapter provides supporting detail about the costs and benefits of the options being considered in this Consultation Regulation Impact Statement (RIS). The information is set out as follows:

- a detailed discussion of the impacts and results of the analysis, including sensitivity results and a summary of the costs and benefits by jurisdiction
- an explanation of the approach taken to the analysis, including the method and the specific calculations behind the analysis
- a detailed list of all of the inputs and assumptions underlying the analysis.

4.1 Discussion of the impacts and results

4.1.1 Transition and implementation costs of a national licensing system

Before the commencement of the proposed national licensing reform and for the first three years of the system's operation, several one-off costs would be incurred. For licensees, business and households, there is a time cost associated with understanding the new system of licensing. For governments, there are costs associated with setting up the National Occupational Licensing Authority, implementing the national licensing register and communicating the changes to licensees and the wider community (i.e. businesses and households).

4.1.1.1 Cost to property licensees

Time for licensees to understand the proposed reforms

Under national licensing, licensees would need to understand the changes and how they are affected by them. Time costs would be incurred either by reading material, attending an information seminar or through some other means.

For indicative purposes, it is assumed that it would take each existing licensee 45 minutes to understand the changes. Feedback is sought on the soundness of this assumption in question below. Based on the assumption that there are just over 126,000 property licensees across the jurisdictions, the estimated transition costs to industry would be about \$4.50 million. It is expected that these costs would be incurred throughout the year preceding the operation of national licensing (i.e. 2012–13). As at 1 July 2012, the 10-year net present value (NPV) of this cost is therefore \$4.21 million. The distribution of these costs across jurisdictions is shown in Table 4.1. New South Wales and Queensland experience the highest costs across Australia, which is driven by their high number of licensees.

Table 4.1: Cost to licensees from spending time understanding the proposed reforms

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Transition cost (undiscounted)	1.51	0.59	1.23	0.90	0.19	0.01	0.05	0.05	4.52
10-year NPV as at 1 July 2012	1.41	0.55	1.15	0.84	0.18	0.01	0.04	0.04	4.23

The estimate of 45 minutes takes into consideration the varying needs of licence holders when they transition to a national licence. It is important to note that licence holders would not be required to change their licence before the expiration of their current licence. Therefore, the 45-minute estimate reflects the potential additional time *over and above* the normal requirements for licence renewal. For some licence holders, changes may be more complex and require more time; for

others, changes would be minimal and require less. The estimate in this Consultation RIS is intended to be a reasonable average of likely transition requirements, and will be tested further with industry in consultations.

For further information on the assumptions underlying these estimates, see section 4.3.

Question: The RIS assumes that it will take 45 minutes for licence holders to understand any new obligations, changes to licence requirements or scopes of work under national licensing. Do you agree with this assumption?

4.1.1.2 Cost to business and households

Business value-add lost

Given that licensees must spend additional time to transition to national licensing, they will essentially be less efficient as a result. There is an expectation that if the reforms lead to a one-off efficiency loss for property services, business too will experience a one-off reduction in their profits, or their value-add from property services, as less will be generated from a less efficient labour force.

For the purpose of this Consultation RIS, the costs to the business and household buying property services are assumed to be one-third of the direct costs to labour. This estimate is based on research conducted by the Australian Bureau of Statistics on income shares for factors of production (labour and capital), which estimate the profit share of total factor income (essentially the return to capital of total income in the economy).²² This measure is the best available indicator of the extent to which income is returned to capital (as opposed to being returned to labour in the form of wages). Feedback is sought on whether this is an appropriate assumption so that a more informed assumption can be used in the Decision RIS.

It is estimated that there would be a transition cost to business (and households) of \$1.50 million in terms of business value-add lost, or \$1.41 million NPV over 10 years as at 1 July 2012. The distribution of these costs across jurisdictions is shown in Table 4.2.

Table 4.2: Business value-add lost as a result of transition costs

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Transition cost (undiscounted)	0.50	0.20	0.41	0.30	0.06	0.005	0.02	0.02	1.51
10-year NPV as at 1 July 2012	0.47	0.18	0.38	0.28	0.06	0.005	0.01	0.01	1.41

4.1.1.3 Costs to government

National Occupational Licensing Authority – set-up costs

A key element of the national licensing model is the establishment of a National Occupational Licensing Authority. The role of the licensing authority would be to develop consistent national policy for obtaining a licence and to administer the national system. In doing this, it must consult with stakeholders in relevant occupational areas and establish occupational licence advisory committees. During the implementation phase, the licensing authority would regularly consult with a jurisdictional reference group on issues that arise regarding the implementation of the national system and on progress with the development of licence policy.

²² Australian Bureau of Statistics 2011, *Australian System of National Accounts 2010–11*, cat. no. 5204.0, ABS, Canberra.

In its first five years of operation, the licensing authority would have an important role in the following areas:

- supporting the implementation of national licensing for the first-stage occupations (electrical, plumbing and gas fitting, property, and refrigeration and air conditioning mechanics)
- supporting the implementation of second-stage occupations, including building occupations
- supporting further reforms related to occupational licensing.

Based on the above scope, it is clear that only a proportion of licensing authority resources would be required to support the implementation and future policy direction of national licensing for property occupations. Costs for this Consultation RIS, therefore, reflect this fact and attribute a proportion of licensing authority costs.

The costs to government of establishing the licensing authority will be apportioned to each occupation under national licensing (including the first and second tranche of occupations and any future harmonisation of conduct requirements). It is assumed that the first tranche of occupations (plumbing and gasfitters, property, electrical, and refrigeration and air conditioning) will be apportioned 50 per cent of these costs. The remaining 50 per cent will be apportioned to the second tranche of occupations, with 30 per cent to building occupations, valuers and conveyancers and 20 per cent to future harmonisation of conduct requirements. Further information is provided in section 4.2.

For the property occupations, national licensing costs have been estimated according to the following assumptions:

- 50 per cent of national licensing costs have been attributed to future reforms, including second-stage occupations and conduct reforms
- the remaining 50 per cent of costs are attributed to first-stage occupations, with 28 per cent of these costs allocated to property occupations.

For more detail on these assumptions, see section 4.3.

The transition and operating costs of the licensing authority have been budgeted for 2011–12 to 2014–15, and the contributions from each jurisdiction have been agreed for this period. The costs of the licensing authority have been allocated across jurisdictions according to these agreed contributions by governments. Table 4.3 illustrates the pro rata distributional effects of the costs (noting that it was agreed that the Australian Capital Territory would not be required to contribute to the cost of the licensing authority).

Table 4.3: National Occupational Licensing Authority – jurisdictional contributions

Contribution of budget estimate	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Government	33%	25%	20%	11%	8%	2%	0%	1%

The detailed budget of the licensing authority provided by the Council of Australian Governments (COAG) National Licensing Taskforce shows that transition costs over and above the ongoing cost of operating the licensing authority will be incurred in the first three years. This includes the one-off establishment cost of the licensing authority, the implementation costs associated with the national licensing register and higher meeting costs during the transition period.

Based on these figures, it is estimated that the transition costs associated with the licensing authority are about \$1.31 million. This cost would be incurred across three years, leading to a transition cost of about \$1.29 million NPV over 10 years (as at 1 July 2012). The distribution of costs across jurisdictions is shown in Table 4.4.

Table 4.4: Transition costs associated with the National Occupational Licensing Authority

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Transition cost (undiscounted)	0.43	0.33	0.27	0.14	0.10	0.03	–	0.01	1.31
10-year NPV as at 1 July 2012	0.42	0.32	0.26	0.14	0.10	0.03	–	0.01	1.29

For further information on the assumptions underlying this estimate, see section 4.3.

Costs to transition to a national licensing register (jurisdictional implementation)

Under national licensing, a public national licensing register would be established, providing a cross-jurisdictional summary of all the licences issued under national licensing. This would enable the public and jurisdictional regulators to electronically search for licensed entities and the individuals associated with national licences. The register would be the responsibility of the licensing authority, with all jurisdictional regulators providing information to the licensing authority's central database.

Initially, the register would include all first-wave occupational areas (electrical, plumbing and gasfitting, property, and refrigeration and air conditioning) in each jurisdiction; it is intended that all subsequent occupations would also be included. It is therefore assumed that this initial investment in the register for the four occupational areas would have subsequent value for any other occupations that transition to national licensing in the future.

The intention of including the register within a national licensing framework is to provide greater transparency, allowing consumers to make an informed choice when engaging licensees. It may also improve both consumer awareness of licensing and consumer confidence in the licensing system.

The estimates of total register costs for jurisdictions are those costs that are incurred to upgrade current systems at the jurisdictional level to allow IT systems to interface with the national licensing register. As implementation of the system has not yet commenced, there is currently little available data on the full cost of this implementation. For this Consultation RIS, a range of cost estimates have been used and will be tested further during the consultation phase.

These costs are estimated to be between \$2.5 million and \$5 million per jurisdiction, with lower costs for small jurisdictions and New South Wales (due to the new system being based on the Government Licensing Service). Given that the register will be used for several occupations, 50 per cent of this implementation cost has been attributed to future reforms, including second-stage occupations and conduct reforms. Of the remaining 50 per cent, 28 per cent is attributable to the property occupations.

The cost for jurisdictions implementing the national licensing register is \$4.06 million in transition costs or \$3.79 million NPV over 10 years as at 1 July 2012. The distribution of costs across jurisdictions is shown in Table 4.5.

Table 4.5: National Licensing Register transition costs – Total costs and the cost attributable to property occupations under the first stage of reforms

\$ million	NSW	Vic	Qld	WA	SA	Tas ^a	ACT	NT ^a	Total ^b
Total costs to government of transitioning to the national licensing register (time and upgrade costs – undiscounted)	2	5	5	5	3.5	3.5	2.5	2.5	29
Total costs attributable to the property occupations under the first stage of reforms (undiscounted transition cost)	0.28	0.70	0.70	0.70	0.49	0.49	0.35	0.35	4.06
10-year NPV of cost attributable to property as at 1 July 2012	0.26	0.65	0.65	0.65	0.46	0.46	0.33	0.33	3.79

a The introduction of new enterprise licensing systems in Tasmania and the Northern Territory prior to the commencement of national licensing may reduce these estimates.

b May not sum due to rounding.

For further information on the assumptions underlying these estimates, see section 4.3.

Government communications

Regulators in each state and territory are expected to develop and implement a communications strategy that seeks to inform various stakeholders of the changes to the licensing of the property occupations. Relevant stakeholders include licence holders, industry associations, training providers and other government agencies with relevant responsibilities, and consumer groups. Most regulators already conduct regular consultations with these groups as part of their current responsibilities; however, it is reasonable to expect that this reform would require an increased level of engagement and communication with stakeholders before the new licensing arrangements started.

The cost of this engagement would vary considerably across states and territories, depending on the type of engagement conducted and the medium used. There are currently no estimates available from each of the state and territory regulators on what it may cost to complete these activities. The Victorian regulator, Consumer Affairs Victoria, does, however, have estimates of the communications costs that were incurred when they made changes to the property industry in their state. This estimate of about \$325,000 has been used as the basis for estimating this cost to regulators. This cost has been applied in full to the larger states (in terms of the number of licensees), and half of this cost has been assumed to be incurred in smaller jurisdictions.

Based on these estimates, the communications cost to government is \$1.95 million in transition or \$1.82 million NPV over 10 years as at 1 July 2012. The distribution of costs across jurisdictions is shown in Table 4.6.

Table 4.6: Government communications costs during the transition to national licensing

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Transition cost (undiscounted)	0.33	0.33	0.33	0.33	0.16	0.16	0.16	0.16	1.95
10-year NPV as at 1 July 2012	0.30	0.30	0.30	0.30	0.15	0.15	0.15	0.15	1.82

For further information on the assumptions underlying these estimates, see section 4.3.

One jurisdiction has noted that this section on the costs to government does not include some of the costs incurred to date by governments, such as various state government project groups and working teams.

Question: Beyond the time and transition costs incurred by licensees, businesses and households, and the one-off establishment costs incurred by governments, are there any other transition costs that should be considered in moving to national licensing?

4.1.2 Direct costs and benefits of national licensing

The costs and benefits discussed in this section are the ongoing impacts that would be incurred each year throughout the operation of national licensing, beginning in the first year of operation, 2013–14. A 10-year NPV is presented in this analysis; however, these impacts are ongoing and could theoretically be considered over a longer time horizon as they will be enjoyed for many years.

While the transition costs outlined in 4.1.1 are quite discrete, many of the ongoing impacts affect several different sectors of the economy (i.e. licensees, business, households and government). For that reason, this section is presented by type of impact rather than by sector.

4.1.2.1 Labour mobility

Labour mobility is defined as the extent to which labour is free to move around the economy in response to opportunities in the marketplace. This movement may be the relocation of labour from one region to another, or it may be the extent to which labour is accessible on a short-term or an itinerant basis, as required by firms across the economy. In addition, labour mobility should also be considered in the context of movement of workers across state and territory border towns or regions.

A complex set of factors can influence the mobility of labour in an economy. Even when there are employment opportunities for workers across the economy, the extent to which these will be filled is influenced by:

- the accessibility of information on work opportunities across regions
- the costs associated with moving to a new job, or of working remotely, away from home for particular periods
- the availability of infrastructure in a region, including housing, schools, child care, transport, etc. (which is particularly important for workers looking to relocate to a region)
- regulatory settings that may impede the mobility of labour, either directly by prohibiting movement or indirectly by imposing cost barriers that are sufficiently high to deter movement by employees.

In making employment decisions, each individual will have a threshold cost of taking up a new employment opportunity. Such a move need not be a permanent move and could involve temporary relocation to take advantage of a market opportunity. For short relocations or temporary moves, fixed costs – such as licensing – become all the more relevant. This is the cost above which the move will not be cost effective and will not proceed. This threshold will be related to the potential future benefit for employment in a new jurisdiction (with benefits including both financial and lifestyle factors). It is reasonable to assume that this threshold cost will vary for individuals. Therefore, as costs are lowered, a greater proportion of individuals in an industry would consider moving to a new jurisdiction for employment (an additional factor in this equation is the relative wages across jurisdictions) or taking up opportunities where they arise in other jurisdictions. On this basis, there are potential benefits in seeking to drive down costs from current levels.

Understanding the linkages between labour mobility and costs suggests that reducing costs has the potential to increase this proportion. There are likely flow-on benefits of higher labour mobility across the economy, in the form of economic efficiency improvements.

For the property occupations, the realisation of labour mobility benefits may depend on the extent to which local knowledge affects a licensee’s ability to compete in another jurisdiction. While this may limit some licensees from becoming more mobile in the property market, there would still be greater opportunity to work in contiguous states and territories, generate more integrated national practices and work in jurisdictions with high demand for property services. Some jurisdictions believe that this factor is significant enough to lower the impact for property services.

The benefit from improved labour mobility is difficult to quantify. To provide an indication of the potential benefit, this Consultation RIS draws on the work undertaken in this area by the Productivity Commission. In its 2009 review, the commission found that moving from no mobility of labour (i.e. licensees are prohibited from moving interstate) to full labour mobility without restrictions could lead to a 0.3 per cent increase in real GDP. Based on real GDP in 2011, this would represent about \$4 billion per annum. Taking property services to represent about 1.1 per cent of employment in the economy and assuming that national licensing would result in about 10 per cent of this benefit, this leads to a benefit to the economy of about \$4.4 million per annum. For more detail on these assumptions, see section 4.3.

Using this estimate as an indication of the potential benefit under national licensing, the benefit from improved labour mobility under national licensing would be \$4.43 million per annum or \$29.05 million NPV over 10 years as at 1 July 2012. The distribution of this benefit has been allocated based on licence numbers and is shown in Table 4.7. For further information on the assumptions underlying these estimates, see section 4.3.

Table 4.7: Benefits from improved labour mobility under national licensing

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Annualised ongoing benefit	1.41	0.64	1.34	0.76	0.18	0.01	0.05	0.03	4.43
10-year NPV as at 1 July 2012	9.25	4.22	8.77	4.97	1.17	0.08	0.36	0.22	29.05

Some jurisdictions have suggested that the assumptions underlying these estimates need to be tested further. In testing these estimates, it was suggested that the following be considered:

- the extent to which labour mobility is currently impeded in the property services given the potential importance of local knowledge
- the expected effect of reform on rates of labour mobility given the other potential barriers that exist
- whether using the employment share to apportion the benefit to property is an appropriate proxy given that an industry’s share of employment may not be the same as their share of GDP.

4.1.2.2 Removal of multiple licences held across jurisdictions

Under current licence requirements, licence holders must apply for a new licence if they wish to work in another state or territory. Initially, this involves both a time cost and the payment of licence fees. Under mutual recognition, a licence issued in one jurisdiction can be equivalent to a number of licences in another jurisdiction, with associated additional licence costs for the applicant. Subsequently, that person would need to renew their licence(s) in the jurisdiction(s) in which they are held, again involving time and fees. This is the case even when mutual recognition of a licence is

granted (i.e. when a regulator determines that the applicant has an equivalent licence). These costs would apply regardless of how effectively mutual recognition is operating.

A key benefit of national licensing would be the removal of the requirement for licence holders to hold more than one licence to work in multiple jurisdictions. It would also remove the need to apply for a new licence when they relocated, as long as that licence holder held a valid national licence.

In order to estimate this benefit for licensees, data provided by jurisdictional regulators has been used to estimate the proportion of licence holders in each jurisdiction who also hold a licence in other jurisdictions. Table 4.8 shows this data, which picks up those licence holders who are transitioning from one jurisdiction to another (for instance, who may hold onto a second licence until it expires) as well as those who hold multiple licences over a long term (for instance, if they work or live in a border region).

Table 4.8: Proportion of licence holders in each jurisdiction who also hold a licence in another jurisdiction

Percentage	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
% of existing licence holders	4%	4%	4%	1%	6%	12%	33%	10%

Note: The figures in this table represent the percentage of licensees who operate and are licensed in that jurisdiction, but reside in another jurisdiction.

The reduction in costs associated with holding multiple licences can therefore be estimated by taking the total number of licence holders incurring the cost, and estimating the avoided costs for these licence holders. This has been done using:

- the number of licence holders who would be affected by the changes, which is estimated using the proportions of licence holders estimated as being required to hold more than one licence under current arrangements
- data on property licence fees in each jurisdiction and an estimate of the time to apply for a licence (which would be avoided costs).

It is important to note the potential for mutual recognition applications to be more onerous (in terms of time and documentation required) than standard applications. To reflect this, the average time to apply for a licence is assumed to be higher under mutual recognition. See 4.2 and 4.3 for more detail on the approach to calculating this impact and the assumptions underlying it.

Using this approach, it is estimated that the total cost of holding multiple licences is about \$2.30 million per annum or \$14.98 million NPV over 10 years as at 1 July 2012. These costs would not be incurred under a national licensing approach, and therefore they are a key benefit of the national licensing option (as licence holders would no longer incur these costs). The distribution of this benefit across jurisdictions is shown in Table 4.9. Note that the benefits in this table have been attributed to the home state of licensees. For example, the benefit to New South Wales is the benefit to licensees who predominantly live in New South Wales but also hold licences in other jurisdictions. This attribution has been calculated based on migration flows. For further information on the assumptions underlying these estimates, see section 4.3.

Table 4.9: Benefit to licensees of no longer holding multiple licences across jurisdictions

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Annualised ongoing benefit	0.75	0.39	0.50	0.20	0.15	0.07	0.12	0.11	2.30
10-year NPV as at 1 July 2012	4.86	2.56	3.25	1.33	0.989	0.48	0.76	0.74	14.98

The impact on government

While removing the requirement to hold multiple licences delivers a direct benefit for licence holders, it represents a cost to government (through reduced revenue where there are fewer licences issued). Regulators would also be expected to realise some savings from a reduction in the number of licences issued, as they would no longer need to spend time processing those licences. However, it is noted that jurisdictional regulators will still incur the costs associated with compliance activities for licence holders who continue to work in their jurisdictions, but who are based (and pay their licence fee) in another jurisdiction. Therefore, given that the regulator would no longer be able to recover for activities that would continue to occur under national licensing, this would lead to a net cost for government, as the loss in revenue would be greater than the savings realised.

This cost is estimated to be about \$0.93 million per annum (annualised across 10 years) or \$6.05 million NPV over 10 years as at 1 July 2012. The distribution of this cost across jurisdictions is shown in Table 4.10.

Table 4.10: Impact on government from the removal of multiple licences across jurisdictions

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Annualised ongoing cost	0.25	0.10	0.27	0.02	0.10	0.001	0.17	0.02	0.93
10-year NPV as at 1 July 2012	1.60	0.62	1.76	0.15	0.66	0.01	1.13	0.11	6.05

4.1.2.3 Consistent licence periods of one or three years

Under current jurisdictional licensing arrangements, each state and territory has different licence periods, ranging from one year to a perpetual licence. The current licence periods for each jurisdiction are shown in Table 4.11.

Table 4.11: Current licence periods across jurisdictions

Jurisdiction	Licence term
NSW	1
Vic	1
Qld	3
WA	3
SA	1
Tas	Perpetual licence (i.e. no renewal required)
ACT	1
NT	1

Under national licensing, licensees would have the option of either a one- or three-year licence period. In moving to a standard one- or three-year licence period, it is assumed that licensees would generally opt for the longer licence period of three years. In states and territories with a shorter licence period (i.e. less than three years), licensees would therefore gain a direct benefit from renewing their licence less frequently. In doing so, licensees would save time in applying for their licence and would pay a reduced amount in licence fees across the 10-year period under assessment

for this Consultation RIS.²³ Similarly, regulators would save time because they would process these licence applications less often.

Licensees in Tasmania would incur a cost under national licensing from renewing their licence more often. In doing so, they would spend more time and pay greater fees across the 10-year period. Similarly, regulators would spend more time in processing these licence applications more often. If licensees opt to apply for a licence with a one-year period, the benefits of moving to a consistent licence period would be further reduced.

Given that licence fees typically recover variable costs (i.e. application processing activities) and fixed-cost activities, the licence fee under a three-year licence would need to be adjusted to allow regulators to continue to recover for fixed costs. Given this, only the application processing component of the fee would be saved (or paid more often) by licensees (which is estimated at \$60 in NSW and 28 per cent of licence fees in other jurisdictions).²⁴

Based on the licence periods shown in Table 4.11 and based on the time and processing fees involved in renewal, the overall national impact on licensees of moving to a three-year licence period is estimated to be a benefit of \$4.53 million per annum annualised (over 10 years) or \$29.45 million NPV over 10 years. The distribution of this benefit across states and territories is provided in Table 4.12. In the table, costs are indicated in brackets. The table shows the net impact across all licensees.

There would be no impact in Queensland or Western Australia, as their licence period is already three years. Where licensees in these jurisdictions have the option and choose to apply for a one-year licence, they will continue to have this right under national licensing and are therefore not affected. Tasmania would incur a cost under a three-year licence because their property licensees currently have a perpetual licence. All other jurisdictions are assumed to benefit from a longer licence period.

Given the variation in current licence periods across jurisdictions and the large impact of changing the licence period, the impact of three alternative licence terms (five-year, ten-year and perpetual) is assessed in 4.1.6.1. Note that under all of the licence periods assessed, property agents would still be required to meet certain requirements annually. For example, property licensees would still be required to lodge trust account audit reports annually in the jurisdictions where this is required.

Table 4.12: Impact for licensees of moving to a standard licence period of three years

\$ million	NSW	Vic	Qld	WA	SA	ACT	Tas	NT	National
Annualised ongoing impact	2.34	1.87	–	–	0.05	(0.02)	0.19	0.10	4.53
10-year NPV as at 1 July 2012	15.23	12.13	–	–	0.32	(0.11)	1.21	0.67	29.45

The impact quantified in Victoria does not include the impact on property agent's representatives, as they are not licensed through the regulator. The impact of moving from Victoria's current

23 This analysis is not suggesting that renewal fees themselves will be reduced on a per renewal basis, but that over a 10-year period the total amount paid in licence fees will be lower under a three-year licence term compared with a one-year term. This is because the licence holder is not incurring the application cost component of the fee as frequently.

24 PricewaterhouseCoopers 2009, *Estimating financial impacts of the national occupational licensing system: final report*, p. 24.

Based on estimates of the efficient processing component of licence fees from a survey of regulators undertaken in 2009 specific to licensing of property occupations. Estimate percentage based on licence processing cost as a proportion of fee revenue.

employer-based registration scheme to a registration system with a set licence period is assessed separately in 4.1.2.5.

A consideration of the potential impacts on consumer outcomes from the removal of licensing requirements is provided in 4.1.3.

4.1.2.4 Reducing the costs of regulatory requirements

Removing the licensing of non-residential property work

Under current requirements property agents working in the non-residential property sector (property used primarily for the purposes of industry, commerce or primary production) must obtain a real estate agent’s licence. They incur the cost of the licensing fee – upon application and periodic renewal – and also incur the opportunity cost of time taken to apply for the licence. Under national licensing, it is proposed that the licensing of non-residential property work be removed.

It is assumed that 16 per cent of all property services work is related to non-residential property. However, the requirement to hold a licence would not be removed altogether for all licensees undertaking non-residential work, as some licensees would also work in the residential sector and still be required to hold a licence for that work. These licensees would still be required to apply for a licence, but only in relation to their residential work. In order to estimate the proportion of agencies that work across both the residential and the non-residential sectors, an analysis of 45 non-residential real estate agents was undertaken. For details of the analysis and the specific proportions assumed for each jurisdiction, see section 4.3.

Removing non-residential property work from the regulated work of a real estate agent’s licence would mean that existing and prospective licensees who only undertake non-residential property work would avoid fees for renewal and application respectively and would also avoid the time taken to apply for or renew a licence. A consideration of the potential impacts on consumer outcomes from the removal of licensing requirements is provided in section 4.1.3. Note that these licensees may still be required to meet trust account and fidelity fund requirements.

Based on these assumptions, the total savings associated with the removal of non-residential property work from the scope of a real estate agent’s licence is \$2.37 million per annum (annualised over 10 years) or \$15.38 million NPV over 10 years. The distribution of this benefit across states and territories is provided in Table 4.13.

Table 4.13: Benefit to licensees from the removal of licensing for non-residential property agency work

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Annualised ongoing impact	0.91	0.62	0.66	0.03	0.06	0.0001	0.08	0.002	2.37
10-year NPV as at 1 July 2012	5.93	4.05	4.29	0.20	0.36	0.001	0.54	0.02	15.38

Removal of continuing professional development requirements

Real estate agent licensees in New South Wales, Western Australia, Tasmania and the Australian Capital Territory are required to undertake annual continuing professional development. The courses required vary across jurisdictions, but generally they involve both a time cost (i.e. spending time attending the course) and course fees.

Based on these costs, removing continuing professional development requirements in New South Wales, Western Australia, Tasmania and the Australian Capital Territory is estimated to save \$43.52 million annualised per annum or \$282.94 million NPV over 10 years (as at 1 July 2012). The distribution of this benefit across states and territories is provided in Table 4.14. For details on the calculations and assumptions underlying these estimates, see 4.2 and 4.3. A consideration of the potential impacts on consumer outcomes from the removal of licensing requirements is provided in 4.1.3.

Table 4.14: Benefit for licensees of removing continuing professional development

\$ million	NSW	WA	Tas	ACT	National
Annualised ongoing benefit	25.57	16.80	0.27	0.87	43.52
10-year NPV as at 1 July 2012	166.28	109.24	1.75	5.66	282.94

Removal of broader 'fit and proper' tests as part of personal probity requirements

Under national licensing, personal probity requirements for property occupations would no longer include some checks currently under taken in some jurisdictions. In jurisdictions that currently impose broader fit and proper tests for individual licence applicants, there is a potential benefit to those licensees from this change, where they currently incur costs associated with these tests.

Based on a mapping exercise undertaken by the COAG National Licensing Taskforce, all states and territories except Queensland currently impose broader fit and proper tests as part of their personal probity requirements for property licences.²⁵

In Western Australia, where specific fit and proper tests were identified, it is assumed that personal probity can be proven by providing two written reference statements. It is estimated that this imposes a time cost of about 20 minutes for each applicant.²⁶ In other jurisdictions, it is assumed that 10 minutes would be spent considering and disclosing any relevant information. For more detail on these assumptions, see section 4.3.

These time costs would be saved under national licensing by new licence holders applying for a licence in these jurisdictions. Based on the hourly wage rates assumed in this Consultation RIS and the time estimates above, removing this requirement would save licensees about \$0.03 million per annum or \$0.19 million NPV over 10 years as at 1 July 2012. The distribution of benefits across jurisdictions is shown in Table 4.15.

Table 4.15: Benefit to licensees from the removal of personal probity requirements for workers

\$ million	NSW	Vic	WA	SA	Tas	ACT	NT	National
Annualised ongoing impact	0.01	0.004	0.01	0.001	0.0002	0.0003	0.0003	0.03
10-year NPV as at 1 July 2012	0.07	0.02	0.08	0.01	0.001	0.002	0.002	0.19

25 Based on the mapping exercise undertaken by the COAG National Licensing Taskforce, which identified the differences between state and territory licensing requirements and the requirements proposed under national licensing.

26 It is assumed that 30 minutes will be required for an applicant to obtain a passport photo and two written references (Government of Victoria 2005, *Private Security Regulations 2005: Regulatory Impact Statement*, Department of Justice, p. 29). In the absence of any other information, we have assumed that two-thirds of this cost is attributable to obtaining two written references (i.e. 20 minutes).

For further information on the assumptions underlying this estimate, see section 4.3.

It is estimated that the jurisdictional regulators will also benefit from removing fit and proper requirements due to the time taken to consider this information during application processing. At this stage, for the Consultation RIS, the benefit to regulators has not been included in the cost–benefit analysis; however, information is sought from regulators about the time that could be saved during application processing from removing personal probity.

Removing the requirement to advertise

Currently, prospective property licensees (other than sales representatives) in Western Australia, Tasmania, the Australian Capital Territory and the Northern Territory must advertise their intention to apply for a licence. This includes advising how objections to the approval of a licence may be lodged with the regulator. This requirement imposes a cost on potential real estate licence holders, who must pay for the cost of advertising. Estimates suggest the fee for advertising in the local newspaper across the jurisdictions ranges from \$44 to \$150 for an advertisement consisting of 10 lines. In Western Australia, the cost of advertising is included in the fees payable when applying for a licence, with \$65.50 payable to cover advertising.

Under national licensing, the requirement to advertise would be removed and the cost would be avoided by potential licence holders in Western Australia, Tasmania, the Australian Capital Territory and the Northern Territory. The estimated benefit to licensees from avoiding this cost is \$0.05 million per annum (annualised over 10 years) or \$0.33 million NPV over 10 years (as at 1 July 2012). The distribution of benefit across the jurisdictions can be seen in Table 4.16. Sections 4.2 and 4.3 provide further information on the assumptions underlying these estimates, and their associated references.

Table 4.16: Benefit to licensees from removing the requirement to advertise

\$ million	WA	Tas	ACT	NT	National
Annualised ongoing benefit	0.04	0.003	0.003	0.001	0.05
10-year NPV as at 1 July 2012	0.28	0.02	0.02	0.01	0.33

Removing experience requirements

Currently, in all jurisdictions except New South Wales, Queensland and South Australia²⁷ it is a licensing requirement that property licensees have a specified level of experience before progressing from representative to agent. This means that licensed representatives who wish to obtain an agent’s licence must have a level of experience in the industry before being granted a licence (generally between one and six years, depending on the jurisdiction). A real estate agent or other full property-related licence holder is able to conduct work unsupervised, whereas a representative must work under an agent.

Under national licensing, experience requirements would be removed and property licensees could obtain their licence as an agent (or other equivalent) sooner if they wish to do so.

The direct benefit to licence holders of removing experience requirements could be measured, for example, by the wage difference between licensed real estate agents and agent’s representatives. This is the value that licence holders would gain by progressing to agent earlier. Data on wages in

²⁷ Based on the mapping exercise undertaken by the COAG National Licensing Taskforce, which identified the differences between state and territory licensing requirements and the requirements proposed under national licensing.

this industry is limited, and the actual wage differential is unknown. Note that this benefit would only be realised by licensees who otherwise would not progress to agent solely due to the current experience requirements.

While the exact impact of the experience requirement is unknown, some assumptions can be made to provide an indicative estimate of the potential saving from its removal. Assuming that there is a positive and sizeable wage differential, if at least 50 cents is assumed to be attributable to experience requirements and assuming that licensees are currently missing out on this for at least one year, the estimated impact would be \$1.54 million per annum or \$10 million NPV over 10 years as at 1 July 2012. The distribution of benefits across jurisdictions is shown in Table 4.17.

Table 4.17: Benefit to licensees from the removal of experience requirements

\$ million	Vic	WA	Tas	ACT	NT	National
Annualised ongoing cost	0.38	0.50	0.02	0.04	0.02	0.96
10-year NPV as at 1 July 2012	2.49	3.26	0.10	0.24	0.14	6.24

The estimates in Table 4.17 are produced on the basis that licensees can become agents more quickly as a result of these reforms, would continue to provide property services before and after the change, and that any time spent working with agents before the change would be matched by time spent as an agent after the change. On the basis of these assumptions, it is not anticipated that removal of the experience requirement would on its own lead to higher wages for agent's representatives.

For further information on the assumptions underlying this estimate, see 4.3. Given that there is limited information on this impact, this Consultation RIS seeks feedback about the potential gain to licensees of becoming an estate agent earlier and the potential wage differential that could be earned as a result.

Question: Are there any other forms of testing currently required by state and territory governments that should be included in the calculations?

4.1.2.5 Costs imposed by new requirements

Changes to the frequency of processing applications in Victoria

Most jurisdictions currently have a registration scheme for property agent's representatives in which an applicant is required to meet a range of eligibility criteria, usually including personal probity and qualification requirements. These applications are processed by the regulator, who has responsibility for granting, refusing and renewing the registration. Currently in Victoria only, the responsibility for assessing eligibility and processing documentation is placed on the employer. An applicant is required to submit evidence of the completion of qualification requirements and a certificate from the chief of police to the employer, who assesses these and advises the regulator if the person is subsequently accepted and employed. This sector is highly mobile, which places an administrative burden on an agent, who has the responsibility to advise the regulator each time an agent's representative commences or ceases work.

Under national licensing, all required documentation would be gathered by an agent's representative and presented to the regulator for assessment with a prescribed fee. In this case, the jurisdictional regulator would assess applications and be responsible for maintaining a register of representatives in their jurisdiction.

This change would transfer the responsibility for processing the documentation for representatives from employers to the regulator. While the administrative burden on employers in Victoria would decrease (as they would no longer have to register representatives on their behalf and notify the regulator each time an agent’s representative commences or ceases work), the regulator’s administrative activities would increase. While the specific impact on each employer may differ, it is assumed for this analysis that on average the processing time for the regulator would be the same under national licensing as the time currently spent by employers.

While the processing time is assumed to remain the same on average, the frequency of processing is likely to change. Currently, employers need to process representatives when they commence work. Under national licensing, processing would occur every three years (with the option for licensees to choose one year), which is the proposed licence period for all licensees. Data from the Australian Bureau of Statistics suggests that the average duration of employment for real estate employees is about five years.

Assuming that licensees would adopt the three-year licence term, based on a change in frequency from five to three years, and using the time to apply for a licence as a proxy for the processing of representatives, this change would result in a cost in Victoria of \$0.19 million annualised per annum or \$1.21 million NPV over 10 years.

4.1.2.6 Changes to qualification requirements

This section focuses on the impacts on licensees. A consideration of the potential impacts on consumer outcomes from the removal or reduction of licensing requirements, including qualification requirements, is provided in section 4.1.3.

Changes in qualification requirements for real estate agents

Currently in Western Australia, South Australia, Tasmania and the Northern Territory, entrants who wish to obtain a real estate agent’s licence are required to obtain a diploma. Under national licensing, prospective licensees in these jurisdictions would only be required to obtain a Certificate IV. The difference in cost between a Certificate IV and a diploma-level qualification is estimated to be in the range of \$1,320 to \$2,700.

In the Australian Capital Territory, however, only 18 units taken from the Certificate IV and the diploma are currently required to obtain a licence. Hence, moving to a full Certificate IV requirement will lead to a cost for licensees.

Based on the time and fees spent on the relevant training courses, the total impact on industry from the changes to qualification requirements is \$3.54 million annualised per annum or \$23.03 million NPV over 10 years. The distribution of benefits across jurisdictions is shown in Table 4.18. The largest savings are achieved in Western Australia, due to the higher number of licensees in that jurisdiction.

Table 4.18: Benefit to licensees from reduced qualification requirements for real estate agents

\$ million	WA	SA	Tas	ACT	NT	National
Annualised ongoing cost	2.97	0.84	0.09	(0.04)	0.11	3.97
10-year NPV as at 1 July 2012	19.30	5.47	0.58	(0.28)	0.73	25.81

Changes in qualification requirements for agent’s representatives

Under national licensing, the qualification requirement for an agent’s representative will be the completion of five specific competency units. This will represent a change in the number of competency units required in all states other than Tasmania (which does not license agent’s

representatives) and the Australian Capital Territory (where five units are already required). For New South Wales and Victoria, the number of units will increase, leading to a cost for licensees. In Queensland, South Australia, Western Australia²⁸ and the Northern Territory, the number of units will fall, benefiting licensees.

The change in unit requirements will have time- and fee-based impacts, as licensees must spend time undertaking competency units and pay fees to training providers. The impact for each jurisdiction has been calculated based on various changes in the number of competency units required and the time and fees to undertake them.

The overall impact at a national level is \$5.44 million per annum (annualised over 10 years), or \$35.40 million NPV over 10 years. The distribution of impacts across jurisdictions is shown in Table 4.19. For further information on the assumptions underlying these estimates, see 4.3.

If the qualification units not being included under national licensing are still deemed to be necessary by employers to undertake the work of a representative, employers may still require them or replace them with on-the-job training. If this occurred, the quantified benefits would be reduced. The extent to which this would occur is unclear.

Table 4.19: Impact on licensees from changes to qualification requirements for agent's representatives

\$ million	NSW	Vic	Qld	WA	SA	NT	National
Annualised ongoing impact	(1.66)	(1.71)	2.88	2.14	2.75	1.04	5.44
10-year NPV as at 1 July 2012	(10.79)	(11.10)	18.73	13.88	17.89	6.78	35.40

Changes in qualification requirements for strata managing agents

Under national licensing, the qualification requirement for a strata managing agent will be a Certificate IV (consisting of 18 units). This will represent a change in the number of competency units required in some jurisdictions. In the Northern Territory, the number of units will decrease because a diploma is currently required, leading to a benefit for licensees. In Victoria, a qualification requirement will be introduced, increasing the number of units and leading to a cost for licensees. New South Wales and the Australian Capital Territory also license strata managers; however, the qualification requirement is already set as a Certificate IV.

The change in unit requirements will have a time- and fee-based impact, as licensees must spend time undertaking competency units and pay fees to training providers. The impact for each jurisdiction has been calculated based on various changes in the number of competency units required and the time and fees to undertake them.

The overall impact at a national level is \$0.73 million per annum (annualised over 10 years), or \$4.72 million NPV over 10 years. The distribution of impacts across jurisdictions is shown in Table 4.20. For further information on the assumptions underlying these estimates, see 4.3.

²⁸ The impact on the change in qualification for Western Australia will be included in the Decision RIS.

Table 4.20: Impact on licensees from changes to qualification requirements for strata managing agents

\$ million	Vic	NT	National
Annualised ongoing impact	(0.96)	0.03	(0.73)
10-year NPV as at 1 July 2012	(6.27)	0.18	(4.72)

Changes in qualification requirements for auctioneers

Currently, many states and territories require auctioneers to hold a real estate agent’s licence (or agent’s or sales representative licence) to undertake auctioneer work. That is, auctioneer work either forms part of the regulated work of the licence or requires a licence as a prerequisite to an auctioneer’s licence. Under national licensing, to obtain an auctioneer’s licence, only three specified units of competency will need to be undertaken, representing a decrease in qualification requirements in most jurisdictions. The only exception to this is in the Northern Territory, where no qualification units are currently required and the three proposed units will be an additional cost.

Under national licensing, for licensees who choose to undertake both real estate agent work and auctioneer work, there would be no impact in terms of qualification requirements. These licensees would continue to undertake the qualifications required for a real estate agent’s licence, and it is assumed that they would be able to complete the required unit(s) for an auctioneer’s licence within their Certificate IV.

Licensees who only undertake auctioneer work, however, would benefit (except in the Northern Territory) from no longer undertaking competencies associated with a real estate agent’s licence. Depending on their jurisdiction, these licensees would save both time and fees from no longer completing between one and 23 competency units.

The percentage of auctioneer licensees who would only do auctioneer work under national licensing is unknown. To provide an indicative estimate of the potential impact on these licence holders, it is assumed that the 5 per cent of licensees who hold an auctioneer’s licence would only work as an auctioneer and would not undertake any other scope of work. Based on this assumption, the overall benefit of changes in qualification requirements for auctioneers is \$0.91 million per annum (annualised over 10 years), or \$5.94 million NPV over 10 years. The distribution of impacts across jurisdictions is shown in Table 4.21.

Table 4.21: Impact on licensees from changes to qualification requirements for auctioneers

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Annualised ongoing impact	0.19	0.09	0.02	0.20	0.07	0.00	0.01	(0.003)	0.59
10-year NPV as at 1 July 2012	1.24	0.61	0.16	1.28	0.48	0.032	0.04	(0.02)	3.81

For more details on the calculations and assumptions underlying these estimates, see 4.2 and 4.3.

Changes in qualification requirements for agents undertaking business and real estate work

Under national licensing, a separate licence category for business agents will be created in Victoria, Queensland, South Australia and Tasmania. These jurisdictions currently take a broader approach to licensing agents: both real estate and business agency work are combined in one licence. For licensees who want to undertake both business and real estate agency work, while two licences, or categories, would be held, it is proposed that licensees would only be required to submit one application form and pay one licence fee. Hence, in terms of applying for and renewing their licence,

the impact of separating real estate agents and business agents would be negligible because licensees would simply tick both licence categories on their application form.

Separating the two licence categories does, however, have an impact on the level of qualifications required. While a Certificate IV is required for both of these licence categories, to cover all of the mandatory competency units it is estimated that one additional unit would be required.

This assumes that licensees would become real estate agents and then qualify to also hold a business agent's licence. While two additional units would be required to do this, advice on the likely structure of the proposed qualifications is that one of these units could be done as an elective within the Certificate IV already being undertaken for the real estate agent's licence.

The proportion of real estate agents who also undertake business agency work in the relevant jurisdictions is unknown. While a basic proxy has been used for this analysis, further information and feedback on this assumption are sought.

The impact of doing one additional unit for those who do both real estate and business agency work is estimated to be \$0.06 million per annum (annualised over 10 years), or \$0.40 million NPV over 10 years. The distribution of impacts across jurisdictions is shown in Table 4.22.

Table 4.22: Impact on licensees who undertake both real estate and business agency work

\$ million	Vic	Qld	SA	Tas	National
Annualised ongoing impact	0.02	0.04	0.01	0.001	0.06
10-year NPV as at 1 July 2012	0.10	0.25	0.04	0.01	0.40

4.1.2.7 Business value-add

Part of the benefit of these reforms accrues to labour that is selling property services. However, part of the benefit of these reforms accrues to whoever is buying those property services. That could be a business or a household. For a business, having a larger quantity of lower cost property services allows the sector to undertake more work at a cheaper price and earn higher profits. Households that purchase property services will gain from access to more and cheaper services.

For the purpose of this Consultation RIS, the benefits to the business and household buying property services are assumed to be one-third of the direct benefit to labour. This estimate is based on research conducted by the Australian Bureau of Statistics on income shares for factors of production (labour and capital), which estimates the profit share of total factor income (essentially the return to capital of total income in the economy).²⁹ This measure is the best available indicator of the extent to which income is returned to capital (as opposed to being returned to labour in the form of wages). Queensland has advised that a lower rate may be more appropriate for property occupations; Queensland believes that the industry would have a lower ratio than the average for the economy as a whole. Feedback is sought on whether the ratio used is an appropriate assumption so that a more informed assumption can be used in the Decision RIS.

The net efficiency benefits (i.e. time-based impacts only) to licensees on an ongoing basis under national licensing are estimated to be \$40.73 million in net terms per annum. This translates into a net benefit to business of \$13.58 million per annum in terms of business value-add gained, or \$88.26 million NPV over 10 years. The distribution of impacts across jurisdictions is shown in

²⁹ Australian Bureau of Statistics 2011, *Australian System of National Accounts 2010–11*, cat. no. 5204.0, ABS, Canberra.

Table 4.23. The impact in Victoria is negative because the efficiency losses from new requirements outweigh the time savings from decreases in obligations.

Table 4.23: Business value-add – ongoing net impact to business

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Annualised ongoing impact	5.21	(0.21)	0.93	5.97	1.01	0.09	0.20	0.38	13.58
10-year NPV as at 1 July 2012	33.90	(1.39)	6.04	38.85	6.55	0.56	1.29	2.46	88.26

4.1.2.8 National Occupational Licensing Authority – ongoing operational costs

As outlined above in 4.1.1 on transition costs, a key element of the national licensing model is the establishment of a National Occupational Licensing Authority. The role of the licensing authority would be to develop consistent national policy for obtaining a licence and to administer the national system. To undertake its role, the licensing authority would have ongoing costs such as staff remuneration, maintenance of the national licensing register and meeting costs.

As outlined in 4.1.1.3, the licensing authority would be used for several stages of national licensing and its cost has therefore been discounted to account for this. Based on the detailed budget of the licensing authority provided by the COAG National Licensing Taskforce, the ongoing costs are estimated at \$1.12 million per annum or \$8.42 million NPV over 10 years as at 1 July 2012. Table 4.24 illustrates the pro rata distributional effects of the costs (based on the distribution outlined above in Table 4.23, noting that it was agreed that the Australian Capital Territory would not be required to contribute to the cost of the licensing authority).

Table 4.24: National Occupational Licensing Authority – ongoing operational costs

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
Annualised ongoing cost	0.37	0.28	0.23	0.12	0.09	0.03	–	0.01	1.12
10-year NPV as at 1 July 2012	2.76	2.12	1.72	0.89	0.65	0.20	–	0.09	8.42

4.1.2.9 Potential changes in government revenue

Under many of the changes and impacts outlined above, there will be an impact on government regulators flowing from the changes to the licensing system. Where licensing is removed and there is a direct benefit to licence holders from no longer paying licence fees, there is also a cost to government through reduced revenue (essentially a transfer from government to licence holders). However, regulators would also realise some savings from no longer regulating these licensees. If fees are directly representative of the cost of regulating licensees, the net impact on government would be zero, as the loss of revenue would be exactly offset by the savings from reduced licensing activities. We note, however, that some jurisdictions (i.e. Western Australia) believe that savings from reduced licence processing will be offset by other costs associated with the reforms. Some jurisdictions may also continue to incur costs to the extent that there are any residual state-based requirements (i.e. in relation to trust accounts).

Similarly, where changes are made to training requirements (such as the removal of diploma requirements for real estate agents), training providers would receive less fee revenue (and any associated profit component) but would also no longer incur the cost of running those courses.

There is only one change (or impact) where the reduction in revenue for government is assumed not to equal the savings from changes in licensing activities, leading to a net cost or benefit to government. This is the removal of multiple licences held across jurisdictions. The impact for government in this case was discussed in 4.1.2.2.

4.1.2.10 Potential benefits to governments from simplified administrative arrangements

A further area of benefit considered in this analysis is the potential savings over time for governments under the proposed national licensing approach.

As set out in previous chapters, the proposed approach to national licensing would retain the role of state and territory regulators in issuing licences, conducting compliance and enforcement activities and overseeing conduct requirements. The licensing authority would be responsible for licence policy development and coordination of the system.

The investment in a licensing authority, with resources allocated to policy functions, coordination and future reforms, should reduce the need for these functions at the state and territory level. There is, however, uncertainty about the extent to which these savings would be realised. Key arguments include:

- the need for resources to continue to coordinate with the licensing authority, which would liaise with state and territory regulators
- the desire for state and territory regulators to retain policy input, thereby removing the potential to reduce resources allocated to policy
- the need for staff to update the national licensing register with jurisdictional licence data
- the difficulties for small jurisdictions to realise savings with small teams, which would continue to work across occupations that are included in the national licensing approach, as well as other occupations that would continue to be licensed at the jurisdictional level (essentially a difficulty in achieving economies of scale).

The points reflect current views among regulatory agencies that their role, and therefore their resource requirements, is unlikely to significantly change under a national licensing approach. There is currently a strong focus on the resources required to transition to a national system (for example, the transition from jurisdiction-based licensing registers to a national register). These transition costs are not necessarily representative of future efficiencies that can be achieved once a new system is fully implemented and bedded down. It is, therefore, important to differentiate between these transition impacts and the potential benefits of administering a national licence system over the medium to long term.

A way forward appears to be an improved focus on future functions of agencies, and the extent to which there would be opportunities for savings, if agencies are willing to realise these savings over time. It is reasonable to assume that such savings would be more difficult for smaller jurisdictions to achieve, in particular the Australian Capital Territory and the Northern Territory (though currently the Australian Capital Territory has been exempt from contributing to licensing authority costs).

This Consultation RIS considers three key areas where there may be opportunities to streamline state and territory functions over time under a national licensing approach. The most salient of these is the streamlining of licensing policy functions.

Streamlining policy functions

Under a national licensing approach, the licensing authority would be responsible for developing national licensing policy for each occupational area and overseeing its consistent application by jurisdictional regulators. The operation of licensing services would be delegated to the existing jurisdictional regulators. State and territory regulators would use existing staff and infrastructure for these licensing functions.

Centralising policy development would allow state and territory governments to scale back the resources they currently allocate to these functions. The licensing authority would provide policy direction to jurisdictional regulators, which should reduce their administrative costs.

An analysis of administrative and governance requirements for a national licensing system conducted in 2009 included a preliminary analysis of the potential savings for jurisdictions.³⁰ The analysis considered the total full-time equivalent resource requirement for regulators across seven occupations,³¹ estimating what proportion of these are required for policy functions that would be conducted by the national licensing authority under the new approach. The analysis found:

- a potential saving of \$16.2 million annually across all seven occupations
- for property occupations, a saving of \$15.9 million NPV over 10 years.

These estimates are a useful indication of the potential scale of savings that could be realised. However, agencies doubt that these savings could be fully realised due in part to new and additional work to support the licensing authority and effectively contribute to national policy development, undertake additional administrative functions as delegates of the national licensing authority (as compared to current arrangements), or regulate additional licence categories.

Reduction of requirements to maintain the mutual recognition system

All Australian governments currently have a responsibility, under legislation, to administer and maintain mutual recognition as a means of improving the efficiency of the licensing of occupations across Australia. There are two key areas where a change to national licensing would result in reduced costs for governments.

The *Mutual Recognition Act 1992* provides that ministers may jointly declare occupations licensed by jurisdictions to be equivalent, and may specify or describe any conditions necessary to achieve equivalence.

The ministerial declarations are an important component of the entire mutual recognition approach, as they establish equivalence in licences, thereby improving the effectiveness of outcomes from mutual recognition applications. Maintaining this system does, however, require an ongoing resource commitment by all governments, for key tasks such as reviewing the ministerial declarations and updating the schedules of occupations and their relevant conditions.

Those agencies that make decisions based on the ministerial declarations (i.e. state and territory regulators) must ensure that their staff understands how to use them, and that they are updated on changes to the licence equivalence tables contained within the declarations.

Under national licensing, fewer resources would be required to maintain ministerial declarations and update the information contained in the declarations. This results in a cost saving for all state and territory governments. The potential amount of cost saving will vary across governments, depending on the current resource allocation to these tasks, how regulators may change their practices under a national licensing approach, and whether a commensurate level of work is required to maintain national regulations and other instruments.

Currently, licensing authorities are required to explain mutual recognition principles to licence holders and businesses, including providing guidelines and information about the operation of mutual recognition in relation to the occupations for which they are responsible. Licensing

30 PricewaterhouseCoopers 2009, *National Occupational Licensing System: estimating financial impacts – final report*.

31 Occupations assessed were building, electrical, plumbing and gas fitting, refrigeration and air-conditioning mechanics, land transport (both passenger and dangerous goods), property and maritime.

authorities must also provide information reasonably required by another licensing authority about a person seeking a licence under mutual recognition. Under national licensing, regulators would continue to communicate licensing requirements; however, it is likely that the simplified arrangements under national licensing, and the inclusion of a national licensing register, would reduce the complexity of information that needs to be communicated (such as removing the need to explain the conditions under which mutual recognition may or may not apply).

It should be noted that there would still be a need for mutual recognition of licences that are not covered under national licensing and that there would also be a need to recognise occupational licences from New Zealand under the Trans-Tasman Mutual Recognition Arrangement.

4.1.2.11 Other impacts that have not been quantified

Consistency of licensing requirements

Currently, when applying for a licence in another jurisdiction, the licence holder incurs costs associated with understanding the different requirements to gain a licence in that jurisdiction. While in some cases the differences between jurisdictions may be minimal, in others it may be significant. Therefore, applicants cannot assume that their knowledge of licensing requirements would be transferrable to another jurisdiction, and they must invest some time in investigating licence requirements for the jurisdiction in which they wish to work.

Under national licensing, there would be a single licensing system for licence holders to understand and adhere to. Licence holders who work in more than one jurisdiction would benefit from greater consistency in licensing requirements across jurisdictions. National licensing would provide consistency across all licensing characteristics, including:

- the regulated work that can be performed
- licence categories
- exemptions from licensing
- skills- and non-skills-based requirements.

Therefore, those operating in multiple jurisdictions would experience a saving gained by no longer needing to invest time in understanding the differences and nuances of licensing systems in more than one jurisdiction. This potential time saving would vary depending on the type of licence and jurisdiction where the application is being lodged. There is currently insufficient data to quantify this time saving.

Benefits from enabling future reforms

The property occupations are one of four first-wave occupational areas being considered for national licensing. Further reforms are proposed in second-stage occupational areas (including building-related occupations), and in the harmonisation of conduct requirements. These reforms are linked in terms of providing a complete reform of licensing requirements. In particular, conduct reforms are likely to deliver related benefits for licence holders where current regulatory requirements for licences are included in conduct requirements (for instance, a number of potential benefits from the reform of licence requirements in this Consultation RIS are not included in estimates as they fall under conduct requirements).

Introducing nominees

In Queensland, South Australia, Western Australia, Tasmania and the Australian Capital Territory, national licensing would mean the introduction of nominees for licensed companies performing property work. (While the term 'nominee' is not used in the Queensland legislation, section 132 of

the *Property Agents and Motor Dealers Act 2000* (Qld) provides that ‘a real estate agent who is an individual and a principal licensee must be in charge of the agent’s business at the agent’s registered office’.) This would assist the regulator, as it would enable them to track down a ‘responsible person’ in relation to a licensed company, thereby making it easier for the regulator to undertake compliance and enforcement activities. The directors of a company can also be identified by regulators for compliance purposes. While this reform may benefit regulators, it may also impose a small cost on licensed companies. Most companies that want to hold a property licence would be expected to already employ an existing licensee who could act as a nominee. Therefore, there would be no licensing costs directly resulting from this reform. There may, however, be costs incurred from:

- identifying an appropriately licensed employee or director to act as the nominee
- obtaining the nominee’s agreement
- notifying the regulator of who the company will be nominating (i.e. filling out the appropriate form, etc.).

This cost has not been included in this analysis; however, the magnitude of this cost is expected to be minimal and would not be likely to materially affect the results.

Removal of licensing for stock and station agents

Stock and station agents are specifically licensed only in New South Wales, Queensland (pastoral house licence) and the Australian Capital Territory. These agents sell, lease or manage rural property and livestock. The selling of livestock in other jurisdictions is either not licensed or regulated under other licences. Under national licensing, the station element (rural residential property) of a stock and station agent will be captured under a real estate agent’s licence. The selling of ‘stock’ will become unlicensed; this is the current arrangement in most jurisdictions. The COAG National Licensing Taskforce has advised that, given that other licences will continue to apply, any savings from this change would be minor.

Other impacts

Some further remaining benefits are worth noting in this section, but have not yet been quantified. These impacts are minor and are not expected to have a significant impact on the analysis, and include:

- the benefits to licensees from removing licences for narrow scopes of work. Some jurisdictions currently have a series of licences that cover work such as resident letting, corporate resident letting, buyer’s agent work and property management. Under national licensing, the scope of work for these licences will either be covered by a broader licence category or will become unlicensed, which could lead to benefits for licensees. If a licensee is captured by a broader licence category, however, there could be additional costs for new licensees to undertake a higher level of qualification in order to obtain the broader licence
- the removal of additional testing or eligibility requirements such as age requirements. The removal of these requirements would reduce barriers to licensing and benefit new licence holders
- in Victoria, the scope of work for strata managers under national licensing is broader than the current scope. This means that appointees of owners’ corporations who manage functions without delegation may be captured where they were not before. This would require them to obtain a licence and complete an 18-unit Certificate IV qualification. It is unclear how many people this would be likely to affect

- in Queensland, the removal of several restricted licences under national licensing. Future licensees who would have applied for these licences may incur costs from having to obtain a full licence. For example, this would apply for resident letting agents when letting for more than 90 days and for affordable housing licensees
- the effect of not extending the preparation of contracts by licensees in South Australia, which is currently allowed due to a provision in the *Legal Practitioners Act 1981 (SA)* in recognition of the skills and training of land agents and property agent's representatives in this area. If this provision cannot be extended to licensees under national licensing, it may impose costs on consumers in South Australia
- the acceptance of non-current qualifications, which would only be accepted for a three-year period from the commencement of national licensing. In jurisdictions that currently accept qualifications for a longer period without further testing, licensees could incur additional costs under this change.

4.1.3 Impact on consumer outcomes

Under national licensing, it is proposed that a number of current requirements for licensing be removed on the basis that they represent an unnecessary regulatory burden for licence holders. Several of these requirements have the potential to affect consumer protection outcomes, namely:

- changes in licence periods
- the removal of experience requirements
- the proposed removal of mandatory continuing professional development
- proposed changes to qualification requirements in some jurisdictions
- deregulation of non-residential property agency work.

For example, the Australian Capital Territory has expressed concern that a longer licence period could lead to consumer risks because it would decrease the frequency of prudential checks by regulators.

Attachment F of this RIS provides a detailed analysis of the risks associated with property work. In a property transaction, the consumer faces such risks as not finding a buyer or tenant, failure to maximise the value of the property and loss of deposit or rental income. The engagement of an agent can assist in managing some of those risks but can also generate further risks. Such risks include incompetence, unethical or dishonest behaviour, poor quality of service, misrepresentation and business failure.

The 2008 statutory review of the *Property, Stock and Business Agents Act 2002 (NSW)* indicated that the most common complaints about property agents in New South Wales for the 2003–07 period related to:

- unsatisfactory performance of service
- misleading and deceptive behaviour
- failure to account for money held in trust
- unlicensed trading
- refunds
- general compliance with legislation
- general complaints about rights and responsibilities

- repairs and maintenance.³²

Approximately 611 monetary claims are made by consumers against property agents nationally each year, averaging \$4.8 million per year.³³

The key consideration for this analysis is whether any of the proposed changes in licensing arrangements would alter consumer protection outcomes. An assessment of the potential risks associated with property work, and the proposed changes in the licensing arrangements, finds a weak correlation between risks to consumer protection and the proposals. Several changes are administrative in nature and do not alter the coverage of licensing across the industry (that is, they do not remove a person from licensing altogether).

That said, the deregulation of non-residential property agency work would reduce the level of protection of buyers and sellers of non-residential property. The parties to these transactions, however, are often large informed corporations that do not require the consumer protection measures usually associated with property agent work.

Changes to licence periods would not alter licence requirements, though they would potentially lengthen the time between renewal, and therefore the time period for regulators to receive updated information. However, across the entire licence period, whatever the length, compliance and enforcement would continue to be required – renewal is just one element of the process.

In relation to competency units, these units may improve the competency or management skills of licence holders. The importance of these units to consumer protection outcomes needs to be further tested with stakeholders.

The establishment of the national register will provide more consistent information for consumers across the country as well as enhanced quality of data.

4.1.4 Comparing the impacts of national licensing on licensees

Of the impacts that have been quantified in this analysis, there are two impacts that relate only to those licensees and businesses that work across more than one jurisdiction. These are:

- benefits from improved labour mobility
- benefits from the removal of multiple licences held across jurisdictions.

To demonstrate the impact of national licensing on those who work in a single jurisdiction versus those who operate across multiple jurisdictions, Table 4.25 shows the quantified impacts separated out for each of these groups. The separation of the results has been calculated based on:

- the percentage of licensees in each state and territory domiciled in another jurisdiction
- the estimated distribution of multiple licence holders across each of the jurisdictions.

For more detail on these two assumptions, see section 4.3.

32 NSW Office of Fair Trading 2008, *Statutory review of the Property Stock and Business Agents Act 2002*, 'Attachment B – Year in Review Extracts'.

33 Based on the total moneys claimed, 2004–05 to 2008–09.

Table 4.25: Comparison of the impacts of national licensing on licensees working in a single jurisdiction versus licensees working across more than one jurisdiction

\$ million	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Impacts on those who currently operate in only one jurisdiction									
Ongoing net impact per annum	30.95	(0.19)	4.08	27.91	4.36	0.22	1.08	1.20	69.61
Transition cost	(2.93)	(2.03)	(2.84)	(2.31)	(0.94)	(0.36)	(0.47)	(0.42)	(12.29)
Impacts on those who operate in more than one jurisdiction									
Ongoing net impact per annum	3.18	0.94	1.71	1.57	0.56	0.29	0.26	0.61	9.12
Transition cost	(0.12)	(0.11)	(0.09)	(0.05)	(0.07)	(0.34)	(0.11)	(0.17)	(1.06)
Total impacts									
Ongoing net impact per annum	34.13	0.75	5.79	29.49	4.92	0.51	1.34	1.81	78.73
Transition cost	(3.04)	(2.14)	(2.93)	(2.37)	(1.01)	(0.70)	(0.58)	(0.59)	(13.35)

4.1.5 Wider economic impacts on the Australian economy

For this Consultation RIS, computable general equilibrium (CGE) modelling was undertaken to quantify the potential economy-wide (or flow on) effects of an increase in efficiency that is predicted to result from the introduction of national licensing for the property occupations in Australia. This includes the potential impact of improvements in labour mobility, which allows resources to be more efficiently allocated across the economy.³⁴

The purpose of using a CGE model for this analysis is to demonstrate the potential economy-wide impacts of the national reform to the licensing of the property occupations. CGE is a highly regarded and widely applied tool to measure the economic impacts of policy and regulatory change. For example, this approach has been used to measure the impacts of key reforms, including:

- national competition policy³⁵
- climate change policies, including emissions trading and a carbon tax³⁶
- the COAG national reform agenda³⁷
- tariff reforms.

³⁴ The challenge for the analysis is that it is difficult to estimate the allocative efficiency impacts that may arise from changes to labour mobility. While the Monash Multi-region Forecasting Model can be used to estimate these impacts, this is a complex exercise that is beyond the scope of this study. Rather, the modelling draws on prior work undertaken by the Productivity Commission relating to allocative efficiency gains arising from mutual recognition – this is discussed in more detail in the cost–benefit analysis. The economy-wide gains in the commission’s modelling have been translated into an input into the current CGE modelling exercise. This input takes the form of a shock to labour efficiency and is prorated for the size of national occupational reforms for the property occupations (as was discussed in section 4.).

³⁵ For example, the Industry Commission conducted a review of Hilmer Competition reforms in 1995 that estimated the growth and revenue implications of reform using a CGE modelling approach. See Industry Commission 1995, *The growth and revenue Impacts of Hilmer and related reforms: report to the Council of Australian Governments*.

³⁶ Such as the modelling of various carbon tax and emissions trading scenarios conducted by the Commonwealth Treasury. The Monash model, which is used in this Consultation RIS, was also used to model the impacts of emissions trading for the Garnaut Review.

³⁷ As conducted as part of the following commissioned research study: Productivity Commission 2010, *Impacts and benefits of COAG reforms: reporting framework – research report*, Canberra.

CGE modelling can provide insights into the economic impacts of reforms that an analysis of the direct costs and benefits cannot. Direct measures are valuable because they can target the specific, immediate impacts of change, focused on particular stakeholders or sectors in the economy. CGE modelling takes the analysis further by acknowledging the interdependence and interrelationships between sectors in the economy. When done appropriately, it provides a picture of how reforms have impacts across the economy, including on those sectors not directly affected by the reforms.

4.1.5.1 The shock to the model – the scenario modelled for this Consultation Regulation Impact Statement

Under national licensing requirements, barriers to entry for the property occupations in each jurisdiction are expected to be reduced through, for example, reduction in costs for licensing and an increase in the readiness to work between jurisdictions. This is translated as:

- an increase in efficiency of labour in property services
- an increase in efficiency of capital in property services
- a reduction in multiple licence fees that those in the property occupations pay to government.

Additionally, the reform will affect the amount of public administration that the state and territory governments consume, as they will have to process fewer licences.

To model each of these impacts, calculations based on the results of the cost–benefit analysis have been drawn on. Only the ongoing costs and benefits from the cost–benefit analysis have been modelled.

4.1.5.2 Key results

Key economic mechanisms in play – moving from the initial shock to the wider economy

It is not appropriate to sum the results of the economy-wide CGE analysis and direct impacts estimated through the cost–benefit analysis. Instead, the economy-wide results should be interpreted as providing insights into the mechanisms by which the direct impacts flow through the economy and lead to benefits in those areas of the economy that are not directly affected by the change in licensing arrangements.

The impacts of an increase in efficiency

When viewed in the context of the Australian economy, it is to be expected that the economy-wide effects of a labour and capital efficiency shock to the property services component of the business services industry will be small. Nevertheless, the results illustrate the economic mechanisms that may be in play as the efficiency gain flows through the wider economy.

The increase in the productivity of labour in the property services sector decreases production costs for users of these services, particularly the business services industry. In the CGE framework, this is passed on to users of business services in the form of decreased prices.

In turn, other industries in the economy experience positive flow-on effects, resulting from a decrease in the cost of production, and hence prices, across many industries in the Australian economy. This mechanism is illustrated in Figure 4.1.

Figure 4.1: Flow-through effects of an increase in productivity in the business services industry



Similarly, an increase in the efficiency of capital draws down the cost of production in the business services industry. In the CGE framework, this is passed on to users of business services in the form of decreased prices.

In turn, other industries in the economy experience positive flow-on effects, resulting from a decrease in the cost of production, and hence prices, across many industries in the Australian economy.

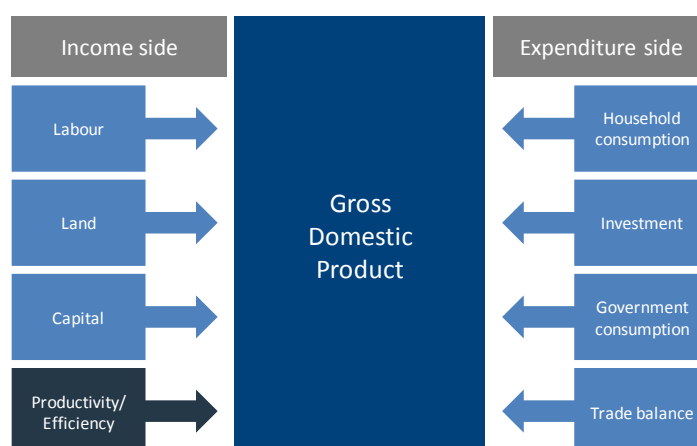
The impacts of a decrease in fees paid by licensees

A decrease in the fees that property licensees pay to government results in an increase in the post-tax income for the property industry. This results in a higher level of income across Australia, leading to a higher level of household consumption.

Macroeconomic results

At a macroeconomic level, the results may be viewed from both sides of GDP, that is, the income side and the expenditure side (see Figure 4.2).

Figure 4.2: Expenditure and income side of GDP



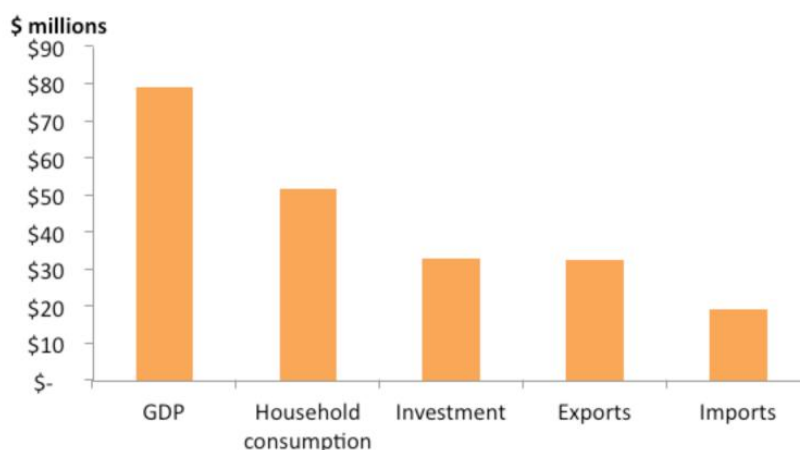
The modelling shows that national licensing for the property occupations is likely to increase GDP in a typical year by approximately \$79 million.

The rise in income drives an increase in consumption, which is a proxy of welfare, of \$35 million in a typical year. The increase in consumption is driven by an increase in household consumption. The consumption of the Australian Government increases; however, this is offset by a decrease in state government consumption. The harmonisation of licences induces an increase in investment in Australia, which increases by \$33 million in a typical year. This additional investment leads to an increase in the capital stock in Australia of \$21 million.

The harmonisation of the property licences causes a real depreciation of the Australian exchange rate, as domestic goods and services become cheaper relative to foreign goods and services. This causes exports to increase by \$33 million in a typical year. While imports become relatively more expensive than domestically produced goods and services, increases in investment and household consumption boost demand for imports, resulting in an increase in imports of \$19 million in a typical year.

These key macroeconomic results are summarised in Figure 4.3.

Figure 4.3: Key macroeconomic results, \$ million for a typical year



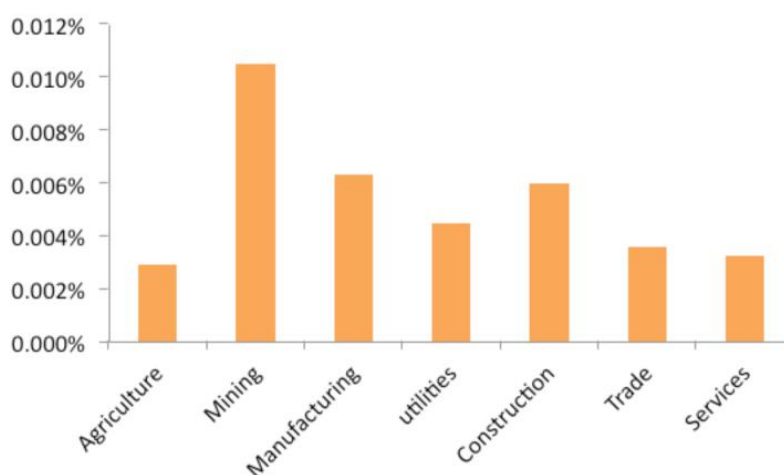
Source: Monash Multi-region Forecasting Model and PricewaterhouseCoopers.

Industry results

The industries that benefit under the modelled scenario are those that face lower costs of production (due to the reduction in the price of business services), together with those that are positively affected by the improvement in the terms of trade (that is, export-intensive industries).

Figure 4.4 illustrates the impact on key sectors in the economy. The mining and construction sectors benefit the most from the reform in terms of growth. The benefits associated with the mining sector appear to be associated with the significant proportion of transient workers in the mining sector. It is important, however, to be mindful of the limitations of input–output (I–O) modelling when assessing the point estimates of the industry-specific impacts. A key limitation is the presence of significant standard error in some elements of the I–O matrix, thereby rendering point estimates imprecise.

Figure 4.4: Key industry results, percentage increase



4.1.6 Sensitivity testing of key assumptions

A sensitivity analysis of key assumptions of the cost–benefit analysis was undertaken for this Consultation RIS. As the Office of Best Practice Regulation states:

There may be considerable uncertainty about predicted impacts and their appropriate monetary valuation. Sensitivity analysis provides information about how changes in different variables would affect

the overall costs and benefits of the regulatory proposal. It shows how sensitive predicted net benefits are to different values of uncertain variables and to changes in assumptions. It tests whether the uncertainty over the value of certain variables matters, and identifies critical assumptions.³⁸

4.1.6.1 Alternative licence periods

The national licensing model assessed in this Consultation RIS includes a standard licence period of one or three years across all licence types and jurisdictions. The impact of three alternatives has been assessed. These are:

- a longer licence period of five years
- a longer licence period of 10 years
- a perpetual licence, meaning that there is no defined term to the licence and it never needs to be renewed.

Under a five- or 10-year licence period, licensees in jurisdictions that currently have a licence period of less than five or 10 years would benefit because they would not need to renew their licence as often. Other than Tasmania, the highest licence period currently set by states and territories is three years. Therefore, under a five- or 10-year term, licensees in all jurisdictions other than Tasmania would benefit from renewing their licence less often. It should be noted that real estate agents would still be required to lodge annual trust account reports.

Under a perpetual licence, licensees in all jurisdictions other than Tasmania would benefit from no longer needing to periodically renew their licence. New licensees would still need to apply for a licence, but once it was received and eligibility criteria met, no renewals would be necessary. Therefore, the cost in time and fees currently spent on renewing licences would be entirely avoided under this option. Tasmania would experience no impact because it already has a perpetual licence for the property occupations.

Assuming that only the processing component of fees would be affected by a change to the licence period, Table 4.26 shows the overall quantified net impact under each licence period assessed.

Table 4.26: Net overall impact of national licensing under various licence periods

Total NPV over 10 years (\$ million)	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
1- or 3-year licence period	218.75	2.63	34.75	189.43	30.95	2.63	8.17	11.19	498.50
5-year licence period	221.91	6.96	45.23	194.60	31.03	2.68	8.42	11.33	522.17
10-year licence period	224.29	10.21	53.10	198.48	31.09	2.72	8.61	11.44	539.93
Perpetual licence	226.66	13.46	60.96	202.36	31.14	0.00	8.80	11.55	557.69

Some of the factors that should be considered when deciding on the best licence period include:

- *Information collection* – The licence term should enable the regulator to collect sufficient information so as to undertake their role effectively and most efficiently. A longer licence term may be appropriate if information is available from other sources or the extent to which information changes is low. A shorter licence period may be appropriate if the industry is fragmented, the extent to which information changes is high and/or there is systemic risk in the industry.

³⁸ Office of Best Practice Regulation 2010, *Best practice regulation handbook*, Canberra.

- *Minimum skills-based eligibility requirements* – Consideration should be given to how often minimum skills-based eligibility requirements need to be retested. A shorter licence period may be appropriate if the cost of reassessing competency or continuing professional development is low; technical skills may be eroded over time; and/or the level of change in factors such as technology, skill requirements and regulation is high.
- *Minimum licence requirements* – The licence period will affect how often minimum licence requirements such as insurance, professional memberships or probity requirements are reviewed by the regulator. A shorter licence period may be appropriate if the cost of reassessing such requirements is low, the potential for change in these requirements is high and/or the impact of breaching these requirements would be significant.
- *Conduct requirements* – Licence renewal may play a role in the enforcement of conduct requirements, as licensees are granted a licence on the basis that they will comply with all conduct requirements. If there is systemic risk inherent in the industry, a shorter licence period may be appropriate because the impact of insufficient enforcement with conduct requirements may be significant. It is worth noting, however, that revocation of licences can be used for serious breaches and that this sanction should not be replaced by sanctioning through non-renewal.

Question: What should the non-business (non-agency) licence period be under national licensing?

Question: What should the business (agency) licence period be under national licensing?

4.1.6.2 Net present value assumptions

Discount rate

A sensitivity analysis was undertaken on the 7 per cent discount rate used to calculate NPV figures in this Consultation RIS. Table 4.27 highlights the impact that alternative discount rates (specifically, 3 per cent and 10 per cent) have on the total cost estimates for the proposed option.

Table 4.27: Alternative discount rates for the proposed option

National NPV over 10 years (\$ million)	7 per cent	3 per cent	10 per cent
National licensing (3-year licence period)	498.50	635.32	420.95

Net present value operating period

A sensitivity analysis was undertaken on the operating period used to calculate NPV figures in this Consultation RIS. Table 4.28 highlights the impact that increasing the operating period (specifically, from 10 years to 15 and 20 years) has on the total cost estimates for the proposed option.

Table 4.28: Alternative net present value operating period for the proposed option

NPV over 10 years (\$ million)	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
10-year operating period	218.75	2.63	34.75	189.43	30.95	2.63	8.17	11.19	498.50
15-year operating period	293.83	4.19	47.25	254.36	41.79	3.76	11.11	15.17	671.46
20-year operating period	352.01	5.36	56.82	304.72	50.19	4.64	13.39	18.26	805.39

Note: A real discount rate of 7 per cent has been used.

The results in Table 4.28 highlight the impact that different assumptions about the operating period can have on the estimated costs and benefits of the proposed option. In this case, increasing the operating period has a positive effect on the NPV estimate as the majority of costs are short period (i.e. transition), while the majority of benefits are long period.

4.1.7 Cost and benefits of the automatic mutual recognition option

Automatic mutual recognition could achieve some of the same labour mobility benefits as national licensing, as it would enhance the ability for some labour to flow where property occupations are most needed, and would reduce administrative and financial costs in the form of additional fees where licences are held across jurisdictions. Some of the transition costs incurred under national licensing would also be relevant under automatic mutual recognition. For example, licensees intending to work interstate would need to spend time understanding the new licensing system, and government would incur communications costs in informing licensees of the changes.

While national licensing seeks to reduce the number of categories, there is no mechanism or compulsion under automatic recognition to make such changes. Automatic recognition retains individual jurisdictions' licensing frameworks and for that reason involves a lower transition cost to that envisaged under national licensing.

There is the potential for this option to capture the benefits that have been identified under national licensing. This would require jurisdictions to unilaterally amend their licensing arrangements, conditions and categories, in line with what has been proposed under the national licensing system. There would also need to be a mechanism to ensure consistent review of licensing requirements over time, for example, in regard to changing qualification requirements or new licence categories to respond to changing industry and market needs, to ensure that the initial benefits are not eroded.

To the extent that all of the changes under national licensing are agreed under automatic mutual recognition, this option is in fact national licensing as outlined above. The downside of automatic mutual recognition is that the benefits that are likely to flow from the agreed establishment of the licensing authority are not guaranteed. Without ongoing coordination and impetus to maintain and build on the initial reforms, there is a risk that automatic mutual recognition may only provide one-off selective reductions in regulatory burdens.

In order to fully quantify and assess the impacts under this option, further guidance from governments on option parameters and available data would be needed.

That said, Table 4.29 shows some of the potential impacts under national licensing that could also occur under automatic mutual recognition. The table shows the maximum possible impacts. The actual impact will be dependent on the percentage of licences that are deemed to be equivalent across jurisdictions and the extent to which harmonisation of licensing requirements occurs.

Table 4.29: Potential impacts under automatic mutual recognition

Potential impacts	Maximum
Ongoing impacts (\$ million per annum annualised over 10 years)	
Impacts that would occur for those holding equivalent licences	
Labour mobility	Up to 4.43
Removal of the need to hold multiple licences	Up to 2.30
Removal of the need to hold multiple licences – government	Up to (0.93)
Impacts that would occur for those holding equivalent licences <i>only if all jurisdictions agreed to harmonise these requirements</i>	
Removing non-residential property agent licensing	Up to 2.37
Removing the requirement for continuous professional development	Up to 43.52
Real estate agents – qualification changes	Up to 3.97
Licensees undertaking both real estate and business agency work – qualification changes	Up to (0.06)
Agent’s representatives – qualification changes	Up to 5.44
Strata managers – qualification changes	Up to (0.73)
Auctioneers – qualification changes	Up to 0.59
Consistent licence period (1 or 3 years)	Up to 4.53
Agent’s representatives in Victoria – Increasing frequency of processing	Up to (0.19)
Other ongoing benefits ^a	Up to 1.04
Business value-add	Up to 13.58
Transition impacts (\$ million)	
Time for licensees to understand reforms	Up to (4.52)
Business value-add	Up to (1.51)
Government communications	Up to (1.95)
Other potential impacts not yet quantified	
Impacts on government compliance costs	Not quantified
Costs and benefits of a register of disciplinary actions	Not quantified

a Other ongoing benefits include the following impacts: ‘removing experience requirements’, ‘removing advertising requirement’ and ‘reducing personal probity requirements’.

The potential transition costs of this option include:

- time for licence holders to understand changes in licensing arrangements (i.e. how automatic mutual recognition works)
- government communications costs
- government compliance costs, where regulators are required to change their compliance arrangements to ensure that they are able to regulate for new licence holders working in their jurisdiction under automatic licences (this is both a transition and an ongoing cost)
- the potential cost of harmonising any current aspects of licensing, where it is proposed under this option (to be determined by state and territory governments).

In order to fully quantify and assess the impacts under this option, further guidance from governments on option parameters and available data would be needed. For example, the following information would be needed:

- the proportion of current licensees who are working under licences that have an equivalent licence in other jurisdictions (or, alternatively, a means of estimating these proportions should be agreed with jurisdictions)
- information on the extent to which transition costs that have been estimated for national licensing should be adjusted for this option (potentially downwards) to reflect differences in this option (as opposed to national licensing)
- information from jurisdictional regulators on the costs associated with additional compliance activities (such as an estimate of resource costs)
- information on the cost of the register of disciplinary actions, including information on the potential scale of this register, and how it may work with existing arrangements.

4.1.8 Summary of the costs and benefits by jurisdiction

The costs and benefits for each jurisdiction in terms of NPVs over 10 years (as at 1 July 2012) are summarised in tables 4.30 to 4.37. Note that costs are represented in brackets.

New South Wales

Table 4.30: Costs and benefits of national licensing in New South Wales, net present value over 10 years

NPV 10 years (\$ million)	
Transition impacts	(2.86)
Time for licensees to understand reforms	(1.41)
Business value-add	(0.47)
Licensing authority – set-up costs	(0.42)
National licensing register – jurisdictional implementation	(0.26)
Government communications	(0.30)
Ongoing impacts	221.61
Removing non-residential property agent licensing	5.93
Removing continuing professional development	166.28
Agent’s representatives – qualification changes	(10.79)
Auctioneers – qualification changes	1.24
Consistent licence period (3 years)	15.23
Reducing personal probity requirements	0.07
Removing the need to hold multiple licences	4.86
Removing the need to hold multiple licences – government	(1.60)
Licensing authority – operational	(2.76)
Labour mobility	9.25
Business value-add	33.90

Victoria

Table 4.31: Costs and benefits of national licensing in Victoria, net present value over 10 years

NPV 10 years (\$ million)	
Transition impacts	(2.02)
Time for licensees to understand reforms	(0.55)
Business value-add	(0.18)
Licensing authority – set-up costs	(0.32)
National licensing register – jurisdictional implementation	(0.65)
Government communications	(0.30)
Ongoing impacts	4.64
Removing non-residential property agent licensing	4.05
Licensees doing both real estate and business work – qualification changes	(0.10)
Agent’s representatives – qualification changes	(11.10)
Strata managers – qualification changes	(4.91)
Auctioneers – qualification changes	0.61
Consistent licence period (3 years)	12.13
Increasing the frequency of processing representatives in Victoria	(1.21)
Reducing personal probity requirements	0.02
Removing experience requirements	2.49
Removing the need to hold multiple licences	2.56
Removing the need to hold multiple licences – government	(0.62)
Licensing authority – operational	(2.12)
Labour mobility	4.22
Business value-add	(1.39)

Queensland

Table 4.32: Costs and benefits of national licensing in Queensland, net present value over 10 years

NPV 10 years (\$ million)	
Transition impacts	(2.75)
Time for licensees to understand reforms	(1.15)
Business value-add	(0.38)
Licensing authority – set-up costs	(0.26)
National licensing register – jurisdictional implementation	(0.65)
Government communications	(0.30)
Ongoing impacts	37.50
Removing non-residential property agent licensing	4.29
Licensees doing both real estate and business work – qualification changes	(0.25)
Agent’s representatives – qualification changes	18.73
Auctioneers – qualification changes	0.16
Removing the need to hold multiple licences	3.25
Removing the need to hold multiple licences – government	(1.76)
Licensing authority – operational	(1.72)
Labour mobility	8.77
Business value-add	6.04

Western Australia

Table 4.33: Costs and benefits of national licensing in Western Australia, net present value over 10 years

NPV 10 years (\$ million)	
Transition impacts	(2.22)
Time for licensees to understand reforms	(0.84)
Business value-add	(0.28)
Licensing authority – set-up costs	(0.14)
National licensing register – jurisdictional implementation	(0.65)
Government communications	(0.30)
Ongoing impacts	191.64
Removing non-residential property agent licensing	0.20
Removing continuing professional development	109.24
Real estate agents – qualification changes	19.30
Agent’s representatives – qualification changes	13.88
Auctioneers – qualification changes	1.28
Removing advertising requirement	0.28
Reducing personal probity requirements	0.08
Removing experience requirements	3.26
Removing the need to hold multiple licences	1.33
Removing the need to hold multiple licences – government	(0.15)
Licensing authority – operational	(0.89)
Labour mobility	4.97
Business value-add	38.85

South Australia

Table 4.34: Costs and benefits of national licensing in South Australia, net present value over 10 years

NPV 10 years (\$ million)	
Transition impacts	(0.95)
Time for licensees to understand reforms	(0.18)
Introducing nominees	(0.06)
Business value-add	(0.10)
Licensing authority – set-up costs	(0.46)
National licensing register – jurisdictional implementation	(0.15)
Government communications	31.90
Ongoing impacts	0.36
Removing continuing professional development	5.47
Real estate agents – qualification changes	(0.04)
Licensees doing both real estate and business work – qualification changes	17.89
Strata managers – qualification changes	0.48
Auctioneers – qualification changes	0.32
Removing advertising requirement	0.01
Removing experience requirements	0.99
Removing the need to hold multiple licences	(0.66)
Removing the need to hold multiple licences – government	(0.65)
Licensing authority – operational	1.17
Labour mobility	6.55
Business value-add	(0.95)

Tasmania

Table 4.35: Costs and benefits of national licensing in Tasmania, net present value over 10 years

NPV 10 years (\$ million)	
Transition impacts	(0.66)
Time for licensees to understand reforms	(0.01)
Business value-add	(0.05)
Licensing authority – set-up costs	(0.03)
National licensing register – jurisdictional implementation	(0.46)
Government communications	(0.15)
Ongoing impacts	3.29
Removing non-residential property agent licensing	0.001
Removing continuing professional development	1.75
Real estate agents – qualification changes	0.58
Licensees doing both real estate and business work – qualification changes	(0.01)
Auctioneers – qualification changes	0.032
Consistent licence period (3 years)	(0.11)
Removing advertising requirement	0.02
Reducing personal probity requirements	0.001
Removing experience requirements	0.10
Removing the need to hold multiple licences	0.48
Removing the need to hold multiple licences – government	(0.01)
Licensing authority – operational	(0.20)
Labour mobility	0.08
Business value add	0.56

Australian Capital Territory

Table 4.36: Costs and benefits of national licensing in the Australian Capital Territory, net present value over 10 years

NPV 10 years (\$ million)	
Transition impacts	(0.54)
Time for licensees to understand reforms	(0.04)
Business value-add	(0.01)
National licensing register – jurisdictional implementation	(0.33)
Government communications	(0.15)
Ongoing impacts	8.71
Removing non-residential property agent licensing	0.54
Removing continuing professional development	5.66
Real estate agents – qualification changes	(0.28)
Auctioneers – qualification changes	0.04
Consistent licence period (3 years)	1.21
Removing advertising requirement	0.02
Reducing personal probity requirements	0.002
Removing experience requirements	0.24
Removing the need to hold multiple licences	0.76
Removing the need to hold multiple licences – government	(1.13)
Labour mobility	0.36
Business value-add	1.29

Northern Territory

Table 4.37: Costs and benefits of national licensing in the Northern Territory, net present value over 10 years

NPV 10 years (\$ million)	
Transition impacts	(0.55)
Time for licensees to understand reforms	(0.04)
Business value-add	(0.01)
Licensing authority – set-up costs	(0.01)
National licensing register – jurisdictional implementation	(0.33)
Government communications	(0.15)
Ongoing impacts	11.74
Removing non-residential property agent licensing	0.02
Real estate agents – qualification changes	0.73
Agent’s representatives – qualification changes	6.78
Strata managers – qualification changes	0.18
Auctioneers – qualification changes	(0.02)
Consistent licence period (3 years)	0.67
Removing advertising requirement	0.01
Reducing personal probity requirements	0.002
Removing experience requirements	0.14
Removing the need to hold multiple licences	0.74
Removing the need to hold multiple licences -government	(0.11)
Licensing authority – operational	(0.09)
Labour mobility	0.22
Business value-add	2.46

4.2 Approach to the impact analysis – method and calculations

This section outlines the methods used to estimate the impacts in the cost–benefit analysis and the CGE analysis.

4.2.1 Calculations used in the cost–benefit analysis

The impact analysis in this Consultation RIS has been developed on the basis of available information on the potential costs and benefits of the options assessed. This section provides a detailed explanation of how the estimates in the cost–benefit analysis were calculated. The underlying data that was used in these calculations is provided in 4.3.

4.2.1.1 The status quo

The status quo provides a base case against which options under assessment can be compared. The status quo option represents what would occur in the absence of any specific action by governments to address the problems identified in Chapter 2 – Current regulatory approach.

For this Consultation RIS, the status quo is the continuation of the current system of licensing by state and territory regulators. The current system includes mutual recognition, whereby individuals are licensed at the state and territory level, but are able to seek mutual recognition of their licence if they move to another jurisdiction to work (or work across multiple jurisdictions).

The costs of the status quo position

For this analysis, the costs of the status quo are essentially the costs associated with the continuation of the current arrangements.

The linkage between the status quo costs and problem analysis makes intuitive sense as the status quo assumes that no specific action is taken by governments to address problems with current arrangements, and therefore the costs of maintaining the status quo are those associated with the problem.

It is therefore not necessary to repeat that analysis fully here, though to summarise, the key costs of the status quo are:

- direct costs to licence holders of holding multiple licences if they wish to work in more than one jurisdiction
- direct costs to licence holders of current regulatory requirements which are not necessary to meet the regulatory objective
- costs associated with complex administrative systems within some jurisdictions and duplicated administrative arrangements for licensing across eight jurisdictions
- broader impacts across the economy where barriers to the movement of skilled workers and to the operation of business would remain.

4.2.1.2 Calculating the present value of yearly impacts

The costs and benefits in this Consultation RIS have been calculated on a yearly basis. The impact in each individual year has then been discounted and brought together to calculate an overall present value for each cost and benefit. Despite the fact that impacts are typically incurred on a continuous basis throughout the year, for the purpose of this analysis it is assumed that all impacts are incurred at the end of the relevant financial year (for example, for impacts incurred in 2012–13, it is assumed that they are fully incurred by 30 June 2013 and are therefore discounted back to 1 July 2012).

The impacts have been calculated on a yearly basis because the impact may vary from one year to the next (i.e. due to industry growth, or transition versus ongoing impacts).

As the underlying data used in calculating the impacts varies across jurisdictions, the impacts have been calculated at a state and territory level. The national impact is then the sum of each of the jurisdictional impacts. Note that due to rounding, the value generated from the calculations in this appendix may not be exactly equal to the numbers quoted in this report.

4.2.1.3 Number of licence holders affected by national licensing

The impacts in the analysis have been calculated based on the number of licence holders, not the number of licences. For that reason, many of the calculations in this chapter refer to the number of licensees.

Where the number of licensees was not available, the number of licensees is based on the number of licences (see 4.3 for further details).

4.2.1.4 Net industry growth factor for employment

In the cost–benefit analysis, it is assumed that the number of licensees within the sector in question will change over time, consistent with overall changes in the size of the sector. Within the estimates, a net industry growth rate has been applied to all relevant calculations. To apply this growth rate on a compound basis, a factor has been used. This factor is simply a series of numbers that correspond to each financial year over time. The first 10 years of the factors are shown in Table 4.38.

Table 4.38: Industry growth factor for the first 10 years

Year	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Factor	1.0000	1.0173	1.0348	1.0527	1.0709	1.0894	1.1082	1.1274	1.1468	1.1667

Incorporating this factor, as an input, allows a calculation to account for industry growth in licensees over time. The calculation for the value of a factor in any one year (other than the base year, which is equal to 1) is the value of the factor in the previous year multiplied by $(1 + 0.0173)$, as the net industry growth rate for the property industry is assumed to be 1.73 per cent. See the tables in the next section 4.3 for more details on the assumptions underlying this calculation.

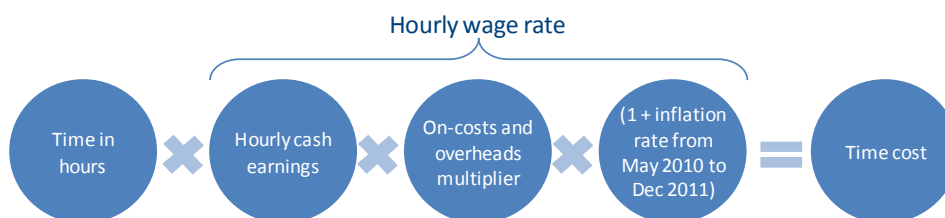
Note that while national licensing would not begin operation until 2013–14, 2011–12 has been used as the base year for the industry growth factor. The licensee numbers assumed for each jurisdiction are based on a range of sources and are not all estimated at the same point in time. Some licensee numbers were provided by jurisdictional regulators as at January – March 2012. Generally, where the number of licensees was not provided, licensee numbers were sourced from a policy development paper which provided data as at June 2009.³⁹ Where data was not available from this paper, data collected by PricewaterhouseCoopers for previous work on national licensing in 2009 has been used. While the number of licensees was estimated at different points in time across different jurisdictions, to be conservative and have a consistent base point, the year 2011–12 has been used as the point from which the industry growth factor has been applied.

³⁹ National Occupational Licensing System 2010, *Electrical occupations*, Licence Policy Development Paper, Policy Element #1 – Licence Structure and Scope, Table 3b.

4.2.1.5 Time cost as referred to in the calculations in this chapter

The time cost is used in many of the calculations outlined in this chapter. This time cost represents the dollar value of someone’s time based on the number of hours spent and the relevant wage rate. The equation used to calculate the time cost is shown in Figure 4.5.

Figure 4.5: How time cost is calculated



4.2.1.6 Calculating the net present value

The equations outlined below provide the calculation for obtaining the yearly impact. For example, if a 10-year NPV is calculated, the yearly impact must first be calculated for each of the 10 years of operation assumed (i.e. 2013–14 to 2022–23). The NPV is then calculated as at 1 July 2012. Therefore, it is equal to the sum of the yearly impacts discounted back to 1 July 2012.

4.2.1.7 Calculating the transition and ongoing costs

In addition to presenting impacts as an NPV over 10 years, this Consultation RIS reports the non-discounted transition costs and annualised yearly ongoing costs. To calculate the transition costs, the yearly impacts are simply summed together without discounting. To calculate the per annum ongoing impact, the yearly impact has been calculated for the 10 years of operation (i.e. years 2013–14 to 2022–23) and the average of those 10 years has been taken to gain an annualised ongoing impact per annum.

4.2.1.8 Estimating transition costs to licence holders from a change to national licensing

The equation used to calculate the yearly transition cost is shown in Figure 4.6. The transition cost is assumed to occur in the year before national licensing is implemented (in 2012–13). The impact in all other years is \$0. This impact applies to all licensees, including agent’s representatives.

Figure 4.6: How yearly transition costs are calculated



4.2.1.9 Transition cost for government of communicating the changes to the industry and consumers

This cost is based on estimates calculated by Victoria in relation to the communications costs that were incurred when it made changes to the property industry in the state. This cost has been applied in full to the larger states, and half of this cost has been assumed to be incurred in smaller jurisdictions.

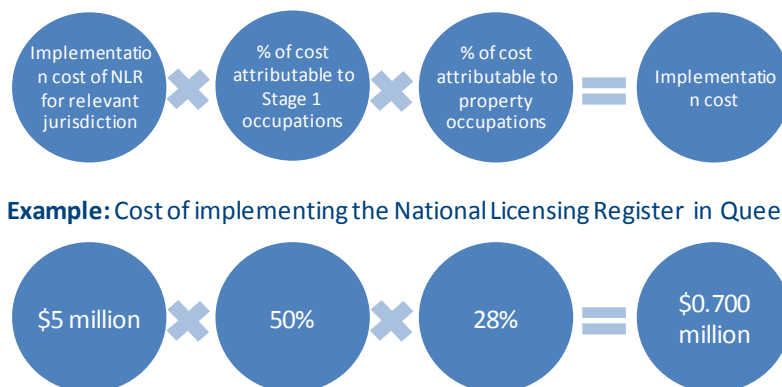
While the Victorian costs contain some elements that depend on the number of licensees (e.g. letters), in the main they appear to be independent of licence numbers. On that basis, it is assumed that the larger states would institute a similar spend on marketing, whereas the smaller states would spend less (assumed to be half, on average).

This cost is assumed to be transitional and is only incurred in the year before national licensing is implemented (2012–13). The cost in all other years is assumed to be \$0. The direct cost to government assumed in 2012–13 for each jurisdiction can be found in the tables in 4.3. No further calculations have been done to adjust these figures.

4.2.1.10 Cost to governments of the transition to a national licensing register

The cost of transitioning to a national licensing register is a one-off cost assumed to occur before national licensing is implemented. The equation used to calculate the cost in 2012–13 is shown in Figure 4.7. The impact in all other years is assumed to be \$0.

Figure 4.7: How the costs of the national licensing register for 2012–13 are calculated



4.2.1.11 Cost of establishing and operating the National Occupational Licensing Authority

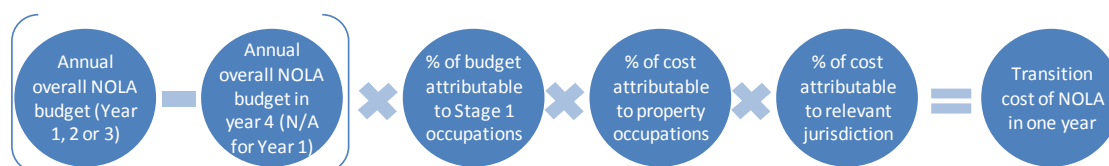
The cost–benefit analysis assumes that there would be costs to government of establishing and operating the licensing authority. Given that the budget for the licensing authority is only projected for the first four years of operation, the cost in the fourth year is assumed to represent the ongoing cost in all subsequent years (year five onwards). The cost in the first three years is higher than the ongoing cost due to the incorporation of additional transition costs in the budget. The transition cost incurred during 2011–12 is assumed to be incurred at the end of the period (consistent with the general approach to the timing of impacts) and hence is not discounted. The ongoing costs are assumed to begin in year 2012–13 and continue into the future. The transition costs in 2012–13 and 2013–14 are therefore assumed to be the difference between the budgeted value and the ongoing cost each year. The equations used to calculate the yearly transition and ongoing cost are set out in Figure 4.8 and Figure 4.9. Note that when calculating the impact in year one (2011–12), the budget in year four is not subtracted because 100% of the budget in 2011–12 is assumed to be a transition cost.

In the calculation of these costs, the overall licensing authority budget has been apportioned to the property occupation on the basis of advice from the COAG National Licensing Taskforce:

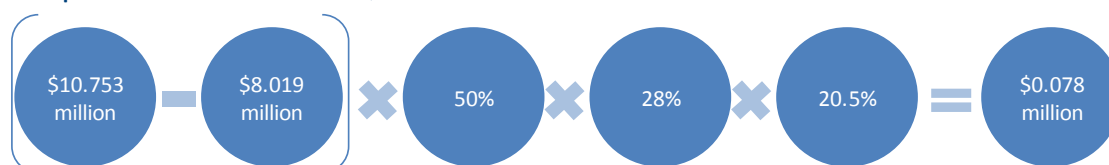
- a percentage of total budget that can be attributed to first-wave occupations (the first four occupations being considered for reform) – this is assumed to be 50 per cent.
- a percentage of total budget that can be attributed to property occupations specifically (within this first-wave proportion) – 28 per cent of the 50 per cent.

The costs to each jurisdiction are estimated on the basis of agreed budget contributions to the licensing authority (as agreed by the COAG National Licensing Steering Committee). These same proportions have been used to attribute uncommitted funds in the first year of operation (which is included in the first year overall licensing authority budget).

Figure 4.8: How to calculated the transition cost of the licensing authority (first three years only)



Example: Transition cost of NOLA in Queensland in 2012-13

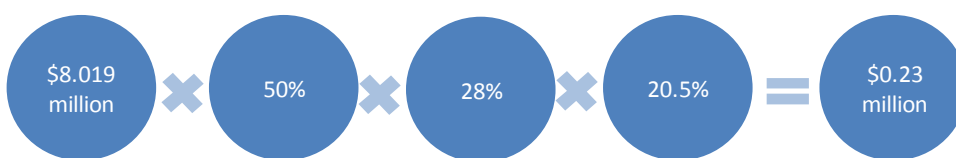


NOLA = National Occupational Licensing Authority

Figure 4.9: How to calculate the ongoing cost of the licensing authority



Example: Ongoing cost of NOLA in Queensland in 2013-14



NOLA = National Occupational Licensing Authority

4.2.1.12 Removing the need to hold multiple licences across jurisdictions

When a licence is no longer needed, it will impact both new licensees (as they will no longer need to gain a licence) and existing licensees (as they will no longer need to renew their existing licence). The equation used to calculate the yearly avoided cost from no longer needing to hold multiple licences in each jurisdiction is shown in Figure 4.10. Given that real estate agents and property agent’s representatives have different licence fees, the impact is calculated separately for these two licence types.

In terms of the time cost to obtain a mutual recognition licence, South Australia has indicated that it would typically take less time for a licensee to obtain such a licence compared to the time that would be taken if the licensee resided in South Australia. On the other hand, case studies provided by – and discussions with – the COAG National Licensing Taskforce suggest that in some cases the time to obtain a licence under mutual recognition can far exceed the time to obtain a licence for those residing in a given jurisdiction. For that reason, this analysis has assumed that mutual recognition is more arduous in the following ways:

- For those first applying for a licence in another jurisdiction, the time cost would increase by a factor of two compared to the time taken to apply for a licence in their own jurisdiction, reflecting additional search costs and potential delays imposed on licensees or businesses that are hiring the individual in the other jurisdiction.

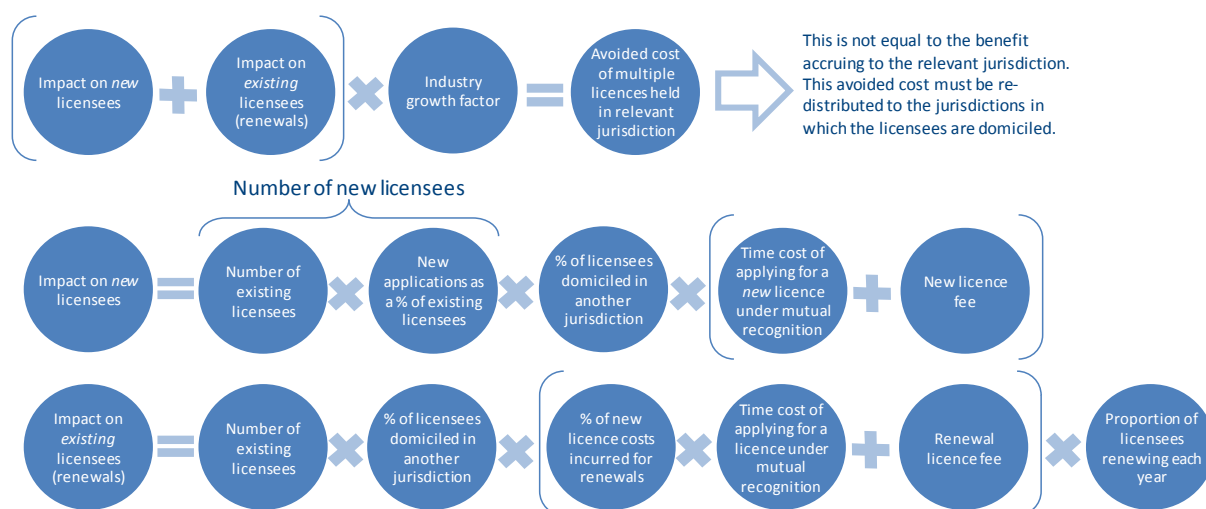
- For those renewing a licence under mutual recognition, the time cost of applying for a licence is still assumed to be higher, but only a multiplier of 5 per cent is assumed (which is applied to the assumption of the time to apply for a licence).

The time cost to apply for a licence in this equation is therefore calculated as follows:

- The time cost to apply for a new licence under mutual recognition is two multiplied by the time to apply for a licence in the relevant jurisdiction multiplied by the wage rate in the relevant jurisdiction.
- The time cost to apply for a licence renewal under mutual recognition (as used in the renewal calculation) is the time to apply for a licence renewal in the relevant jurisdiction multiplied by 1.05 multiplied by the wage rate in the relevant jurisdiction.

The proportion of licensees renewing each year is equal to one divided by the licence period, as it is assumed that licence renewals are distributed evenly over time across the industry.

Figure 4.10: How to calculate the impact of removing multiple licences



The avoided cost calculated in Figure 4.10 is not attributable to the jurisdiction for which it is calculated. The avoided cost accrues to the jurisdiction in which the licence holders are domiciled, not the jurisdiction in which they hold the additional licence. For example, where a worker who lives in New South Wales currently holds New South Wales and Queensland licences, under national licensing, they would no longer be required to hold a Queensland licence to work in Queensland. The saving from not having to apply for or hold a Queensland licence would be realised by that worker from New South Wales; hence the benefit is determined as a benefit realised in New South Wales.

In estimates for this Consultation RIS, the benefit has been distributed according to the percentage distributions shown in Table 4.61. For that reason, the benefit accruing to any one jurisdiction is actually the sum product of the avoided costs for each jurisdiction (calculated in Figure 4.10) and the percentage of multiple licences in each jurisdiction accruing to licensees domiciled in the relevant jurisdiction (i.e. the relevant jurisdiction's column in Table 4.61).

4.2.1.13 Continuing compliance activity on reduced revenue

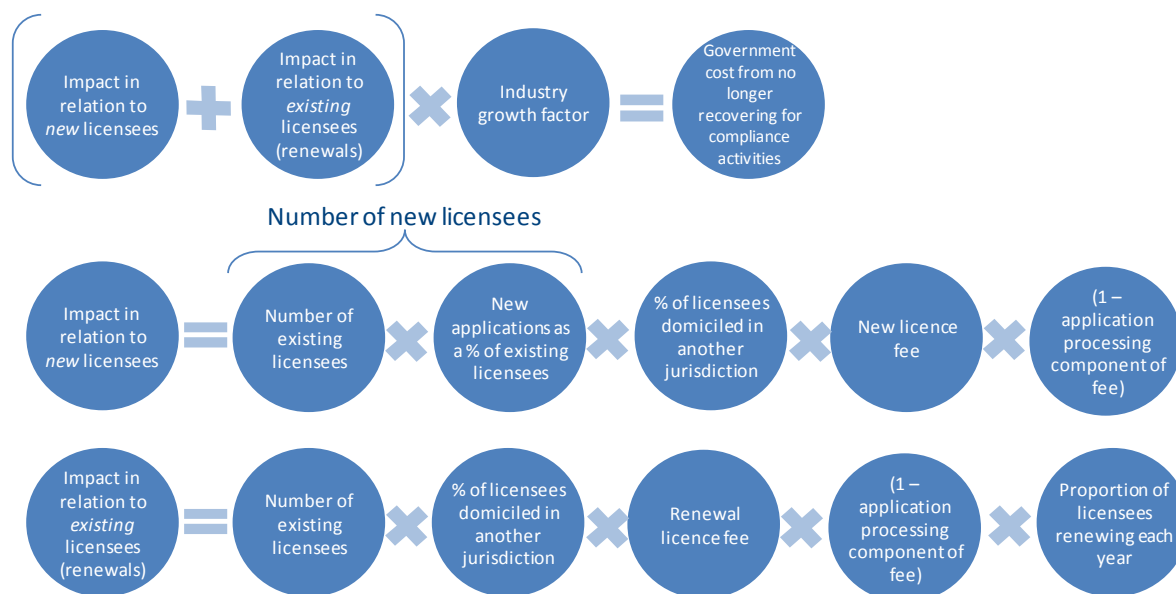
The savings that are enjoyed by licensees in the property industry who no longer have to hold multiple licences have been accounted for by the reduction of fees and effort for applying for those licences.

Advice from jurisdictions is that a proportion of those fees is raised to cover compliance activities that currently occur. To ensure that existing compliance activities are able to continue in light of a single licensing system, resources will need to be available to the regulators for each jurisdiction to continue to oversee property licensees who are licensed elsewhere but work in each relevant jurisdiction.

The following estimate accounts for this based on the efficiency saving that is used elsewhere of 28 per cent (which represents the application processing component of licence fees), leaving a 72 per cent cost associated with compliance and other related activities for those licensees who no longer hold multiple licences. This component will no longer be recovered through fees, but the activities will still need to be funded by government. Note that in New South Wales and South Australia, the application processing component of licence fees is estimated based on dollar figures provided by regulators, rather than the percentage outlined above. For detail on these estimates, see 4.3.

The equation used to calculate the yearly impact on government is shown in Figure 4.11. This equation is based on the equation for calculating the benefit to licence holders through reduced costs of holding multiple licences (see Figure 4.10). The proportion of licensees renewing each year is equal to one divided by the licence period, as it is assumed that licence renewals are distributed evenly over time across the industry. Given that real estate agents and property agent’s representatives have different licence fees, the impact is calculated separately for these two licence types.

Figure 4.11: How to calculate the cost to government from continuing compliance activity for multiple licence holders



4.2.1.14 Impact from a consistent licence period of one or three years across all jurisdictions

This impact only applies to the renewal of licences, and only the application processing component of the fee would be saved (or paid more often) in those jurisdictions with a licence term shorter (or longer) than three years. This component is \$60 in New South Wales, \$5 in South Australia and in other jurisdictions is calculated as 28 per cent of the renewal licence fee in the relevant jurisdiction based on a survey of regulators conducted in 2009 relating to the property licences (see the tables in 4.3 for more details on the assumptions underlying this calculation). Some jurisdictions have suggested that the fixed component of the licence fees may increase, due to the uncertainty surrounding this information; this factor has not been accounted for in the analysis.

The equation for calculating the yearly impact from a consistent licence period is shown in Figure 4.12 and Figure 4.13. Given that real estate agents and property agent’s representatives have different licence fees, the impact is calculated separately for these two licence types.

The proportion of licensees renewing each year is equal to one divided by the licence period, as it is assumed that licence renewals are distributed evenly over time across the industry. In Tasmania, given that it has a perpetual licence, the proportion renewing each year is equal to zero. Given that the calculation only accounts for the processing component of licence fees, this amount would be fully saved even under a perpetual licence. Recovery by regulators for compliance and other fixed-cost activities under a perpetual licence could occur either when a licensee first obtains a licence or by a periodic payment.

When calculating the impact in Victoria, the number of licensees excludes representatives, as they are currently regulated under an employer registration scheme. The impact on frequency of processing for representatives is calculated as a separate impact.

Figure 4.12: How to calculate the benefit to licensees where the licence period increases to three years

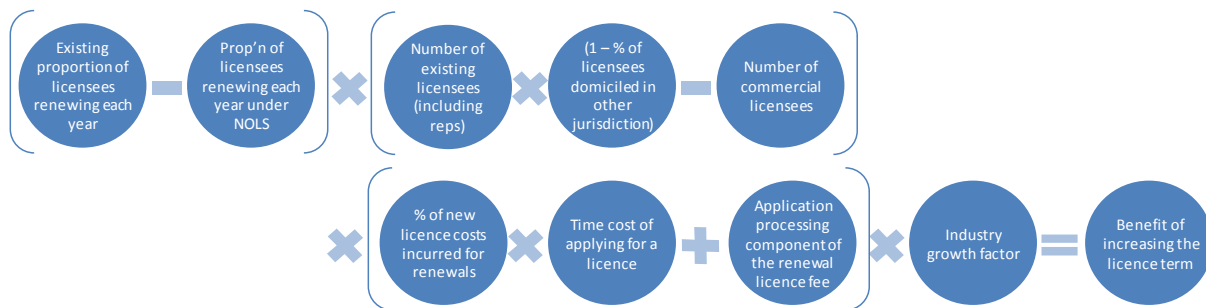
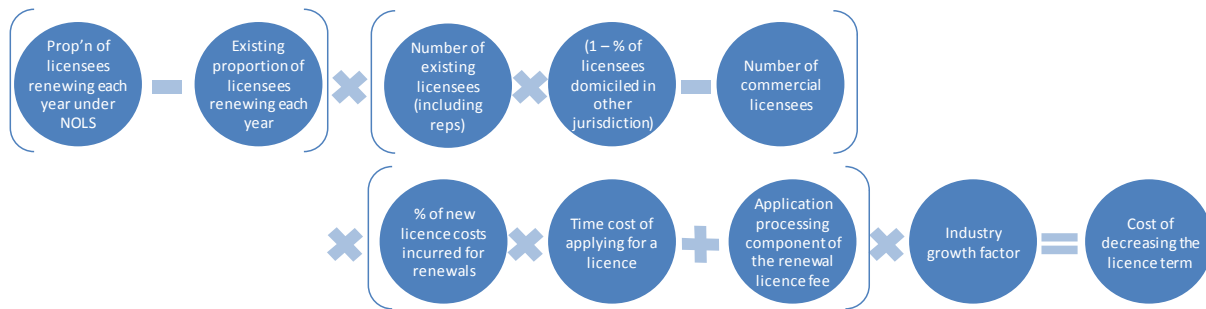


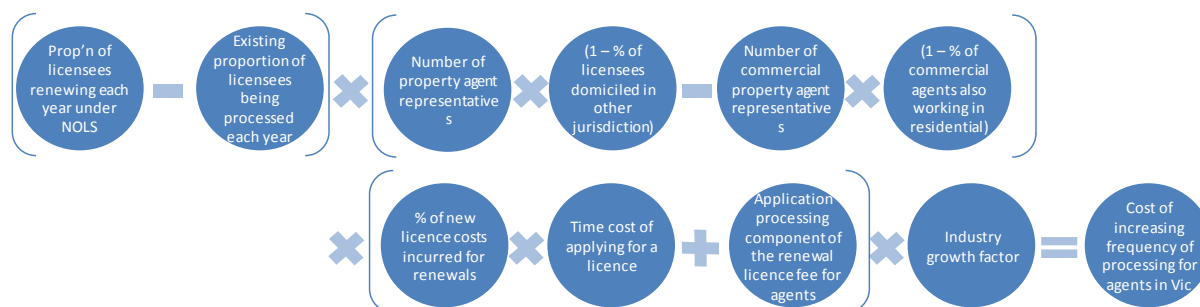
Figure 4.13: How to calculate the cost to licensees where the licence period decreases to three years



4.2.1.15 Increasing the frequency of processing for representatives in Victoria

This impact is calculated in a similar way to a decrease in the licence period shown in 4.2.1.14. Given that the costs of processing for an agent’s licence are used as a proxy for the cost of processing representatives, the calculation is almost the same as that above. The exact calculation is shown in Figure 4.14.

Figure 4.14: How to calculate the cost of increasing the frequency of processing representatives

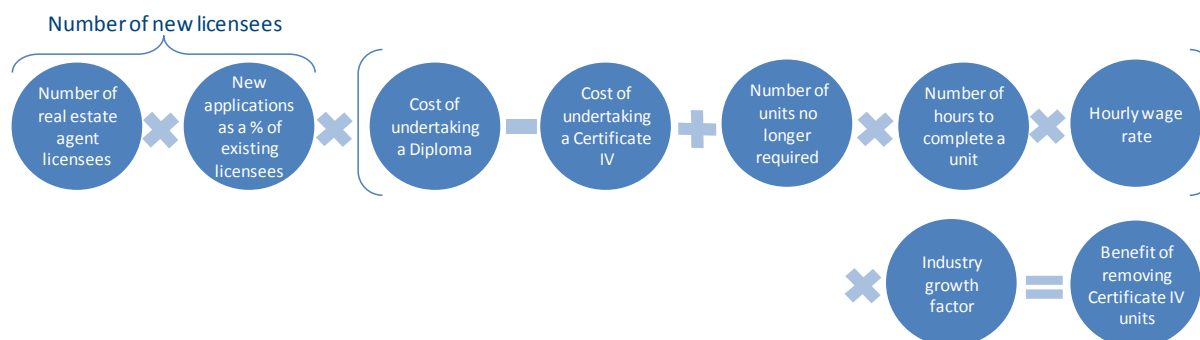


4.2.1.16 Changes in qualification requirements

Changes to qualification requirements impact on new licence holders only because competency requirements must be met upon first obtaining a licence. The number of new licensees is based on the number of new applicants in the industry as a percentage of existing licensees. The impact from changes to qualification requirements is calculated in three different ways.

For real estate agents, calculating the benefit from removing the requirement to undertake a diploma is shown in Figure 4.15.

Figure 4.15: How to calculate the benefit of changes to qualifications for real estate agents

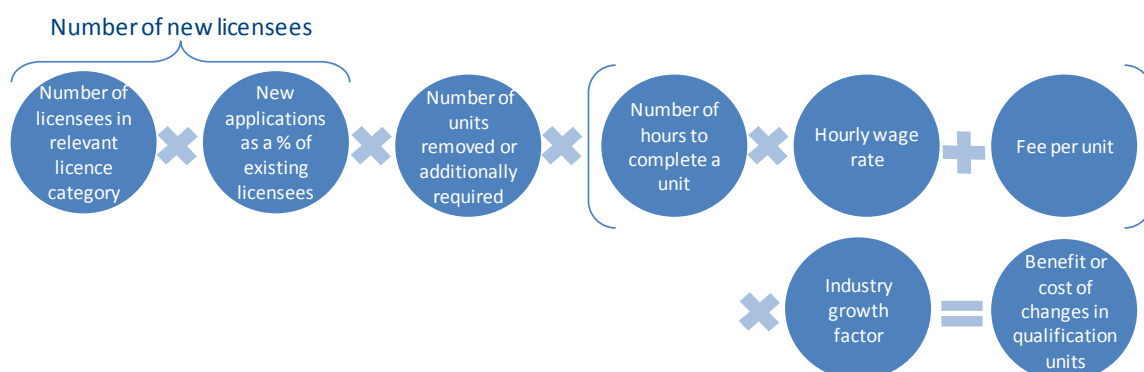


The number of real estate agent licensees is calculated as the total number of licensees minus the number of:

- agent’s representatives
- strata managing agents
- auctioneers.

Where there is an increase or a decrease in the number of units required (for example, for agent’s representatives, auctioneers and those that do both real estate and business agency work), the impact is calculated as shown in Figure 4.16.

Figure 4.16: How to calculate the impact of changes to qualifications where the impact is based on the number of units required

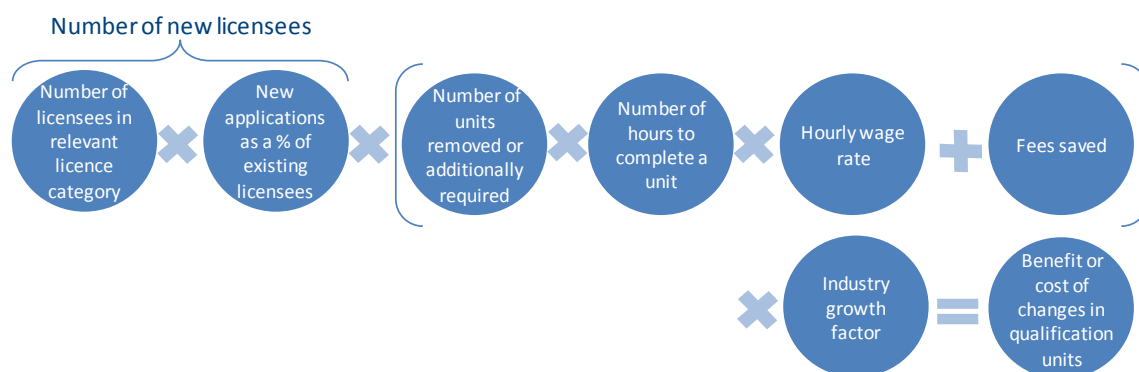


Given that auctioneers could be either an agent or a representative, and that these licence types require differing qualifications, the impact for auctioneers is calculated separately for these two licence types.

When calculating the impact on real estate agents who also do business agency work, the number of licensees is calculated as the number of real estate agent licensees multiplied by the proportion of real estate agents who also do business agency work (estimated at 2.5% – see 4.3 for details).

For strata managing agents, the calculation is very similar to the one in Figure 4.16; however, as outlined in 4.3, the saving in terms of fees is not estimated on a per unit basis. The calculation is shown in Figure 4.17.

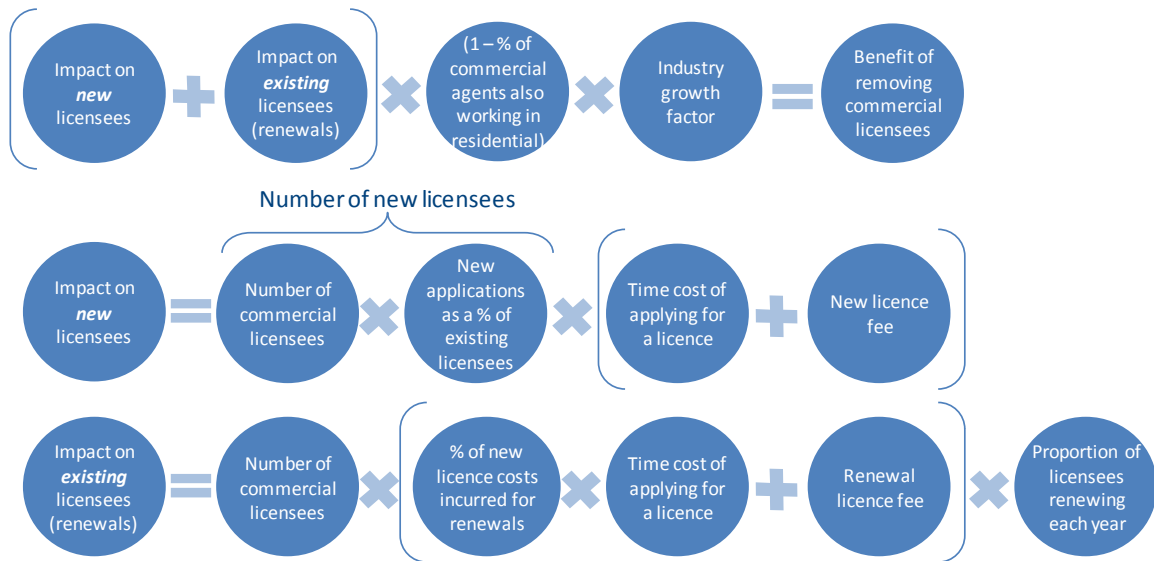
Figure 4.17: How to calculate the impact of changes to qualifications for strata managers



4.2.1.17 Removing the requirement to hold a licence for non-residential property work

When a particular scope of work is no longer licensed, there will be an impact on both new licensees (as they will no longer need to gain a licence) and existing licensees (as they will no longer need to renew their existing licence). This is reflected in the equation for calculating the yearly impact, shown in Figure 4.18. In relation to this calculation, the proportion of licensees renewing each year is equal to one divided by the licence period, as it is assumed that licence renewals are distributed evenly over time across the industry. Given that real estate agents and property agent's representatives have different licence fees, the impact is calculated separately for these two licence types.

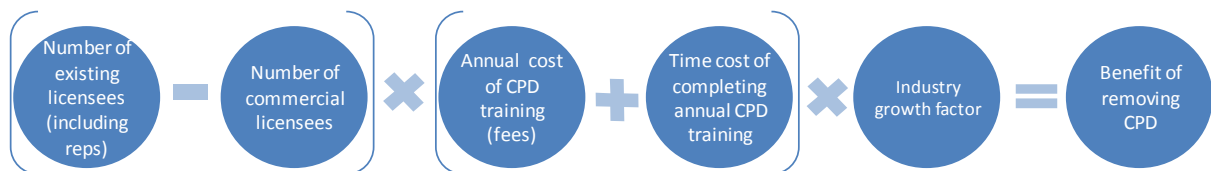
Figure 4.18: How to calculate the impact from removing licensing of non-residential property agency work



4.2.1.18 Removal of continuing professional development requirements

The impact of removing continuing professional development is calculated as per the equation set out in Figure 4.19.

Figure 4.19: How to calculate the impact of removing continuous professional development requirements

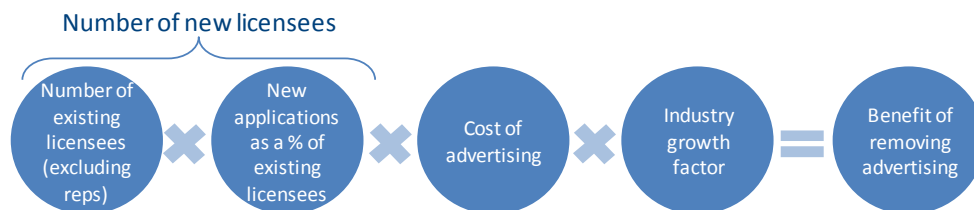


CPD = continuing professional development

4.2.1.19 Removing the requirement to advertise

This impact only applies to new licence holders, as the requirement to advertise is imposed on licensees upon first applying for a licence. The equation used to calculate the yearly impact is shown in Figure 4.20.

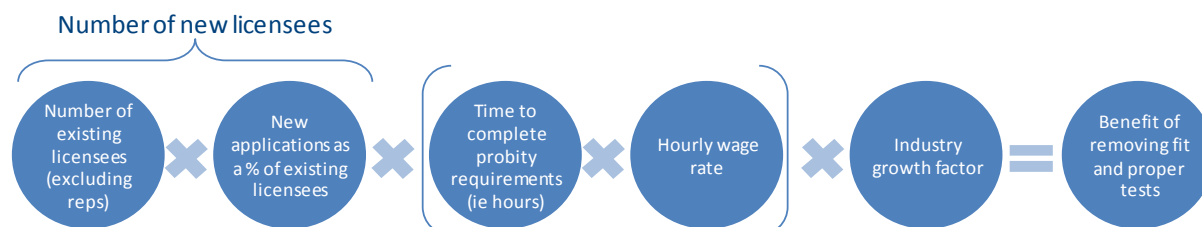
Figure 4.20: How to calculate the benefit of removing the requirement to advertise



4.2.1.20 Savings from removing broader fit and proper tests as part of personal probity

This impact only applies to new licence holders, as probity requirements are placed on licensees upon first applying for a licence. The equation used to calculate the yearly impact is shown in Figure 4.21.

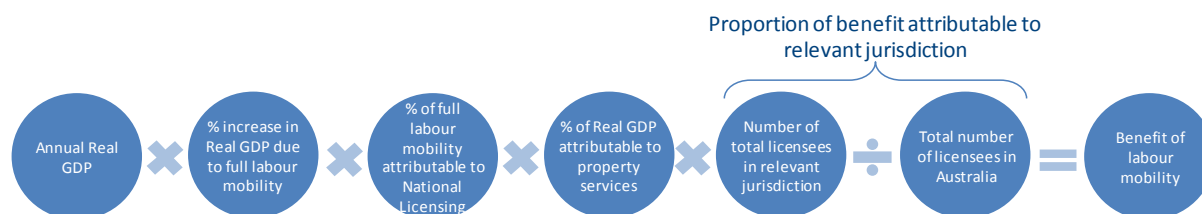
Figure 4.21: How to calculate the saving from removing fit and proper tests



4.2.1.21 Labour mobility

The equation for calculating the estimated impact of labour mobility is shown in Figure 4.22.

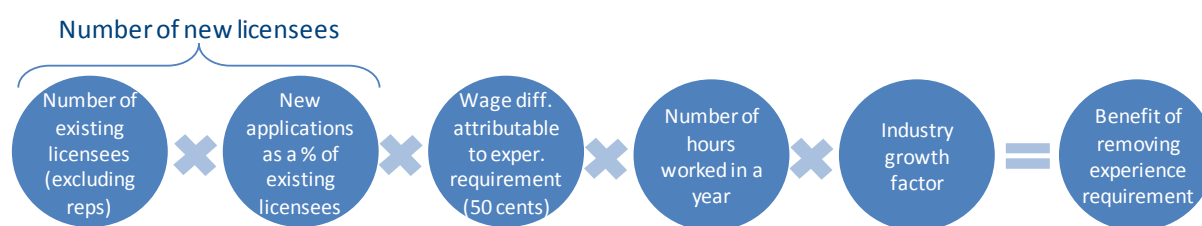
Figure 4.22: How to calculate the benefit of labour mobility



4.2.1.22 Removing experience requirements

This impact applies to all licensees excluding representatives. The equation used to calculate the yearly impact is shown in Figure 4.23.

Figure 4.23: How to calculate the impact of removing experience requirements



4.2.1.23 Business value-add

The impact on business value-add is calculated as one-third of the efficiency impact on labour. The ongoing net efficiency impact on labour includes the time component (not including fees) of the following impacts:

- changes in qualification requirements
- removal of continuing professional development requirements
- removal of licensing of non-residential property work
- removal of fit and proper tests

- consistent licence period
- increase in frequency of processing for property agent’s representative
- removal of multiple licences across jurisdictions
- removal of experience requirements

The one-off efficiency cost to labour includes the time component (not including fees) of understanding national licensing.

4.2.2 Method underlying the computable general equilibrium modelling

4.2.2.1 Overview of computable general equilibrium modelling

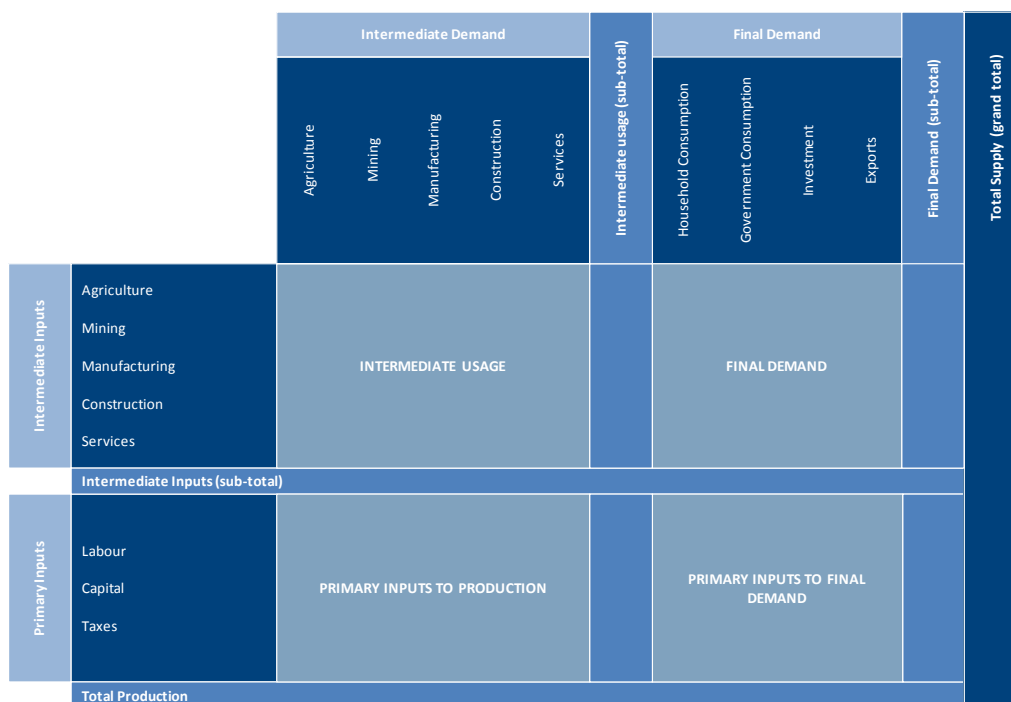
As part of this regulatory impact statement, PricewaterhouseCoopers has undertaken computable general equilibrium (CGE) modelling to quantify the potential economy-wide effects of an efficiency change that may result from the proposed policy change. CGE modelling is useful when a direct impact, at either the specific industry or regional level, is expected to have economy-wide implications or significant flow-on effects.

What is a computable general equilibrium model?

A CGE model is a mathematical model of an economy that is capable of capturing economy-wide impacts and inter-sectoral reallocation of resources that may result from a shock to the economy (see Figure 4.24). CGE models are generally designed for quantitative analysis of:

- resource allocation issues
- changes in technical efficiency
- issues related to government tax or expenditure policy
- external events that can be represented as price or activity shocks.

The core data of a CGE model is an input–output (I–O) table. An I–O table is a system of accounts that shows, in value terms, the supply and disposal of goods and services within the economy in a particular year. An I–O table captures sales of products to other industries for further processing (intermediate usage), together with sales of products to final users. It also captures the inputs used in an industry’s production, whether they be intermediate or primary inputs (such as labour and capital). The table is balanced such that the total of the inputs to each industry is equal to the total of the outputs from each industry. Essentially, an I–O table is a snapshot of an economy (whether it is a region, state or country) in a particular year. More information on I–O tables can be found in Australian Bureau of Statistics catalogue 5216.0.

Figure 4.24: Diagrammatic representation of the core of a computable general equilibrium model

A CGE model pushes forward the base I–O table through time by utilising a set of equations that capture neoclassical microeconomic theory⁴⁰ to determine the behaviour of economic agents when they are faced with changes in key economic variables (especially relative prices). The equations are solved simultaneously, and some variables are determined by the model (endogenous variables) and some are determined outside the model (exogenous variables). The classification of endogenous and exogenous variables is determined by the user based on the set of assumptions derived for the specific modelling exercise.

The CGE model used for this modelling exercise is the Monash Multi-region Forecasting Model (MMRF). MMRF is a multi-sector CGE model of the Australian economy that encompasses all states and territories. It was developed by the Centre of Policy Studies at Monash University.

CGE modelling exercises are often undertaken alongside cost–benefit analysis, as a CGE model can provide economy-wide metrics that cannot otherwise be provided by a cost–benefit analysis. CGE modelling provides a deeper analysis that contributes to the strength of the argument for policy makers. It is a common tool used by the Productivity Commission when undertaking inquiries, and it is used by the Australian Treasury when assessing policy decisions such as the Australian Government’s carbon pricing mechanism.

4.2.2.2 Limitations of the modelling

It is important to recognise the key limitations of the modelling when assessing the results. The results are not intended to be definitive forecasts or precise point estimates of key economic indicators resulting from the proposed reforms. Rather, the results of the modelling should be viewed as a projection of economic variables under a series of plausible assumptions that have informed a scenario analysis.

⁴⁰ For example, households maximise utility subject to a budget constraint, while industries minimise costs subject to production functions.

While the modelling exercise has been informed by the impact analysis results, not all individual costs and benefits have been modelled explicitly in the CGE model. Hence, the results between the impact analysis and the scenario modelled in MMRF (i.e. an increase in efficiency) are not directly comparable.

The key limitations to this modelling approach include:

- The occupation dimension in the model is inadequate. The model has been run as an efficiency shock to the business services industry, as opposed to targeting the property profession directly. This is largely due to the lack of occupational detail in MMRF. Additionally, this modelling exercise does not allow for movement between occupations.
- While the efficiency gain has been scaled down to account for the proportion of property employment for total employment in the business services industry, this approach assumes that the penetration of property services into other industries has the same composition as that of the business services industry as a whole.

Additional limitations are discussed below.

Time dimension

CGE models can be set up as either ‘comparative static’ or ‘recursive dynamic’, depending on the treatment of time in the modelling exercise. This modelling exercise has been run as comparative static.

While recursive dynamic modelling can account for how the economy changes over time to move from one equilibrium position to another, comparative static modelling presents a static viewpoint, comparing the economy at a point in time to the economy once the impact of the shock has been absorbed.

Due to the comparative static nature of this modelling, there is no allowance for, for example:

- underlying changes in the economy over time
- how the shock might be disaggregated over a number of time periods and how it might play out through the directly affected industry, interrelated industries and the wider economy over time
- a lagged adjustment process in the labour market.

Ideally, a recursive dynamic approach to the modelling would be employed to more appropriately address the economy-wide impacts of national occupational licensing restrictions as, for example, a lagged adjustment process in the labour market is fundamental to the movement of the impact through the wider economy.

However, the comparative static results provide a high-level illustrative story of how industry and macroeconomic variables may respond to a change in efficiency as a result of the policy change.

A recursive dynamic exercise would be far more advanced but requires significantly more time to undertake.⁴¹

41 For example, in assessing the impact of a policy change, dynamic general equilibrium models produce two alternative projections – the ‘base case’, that is, the growth path of the economy without the policy change; and the ‘policy run’, that is, the growth path of the economy in the policy change. The base case serves as the counterfactual or the control path from which deviations are measured when assessing the effects of the policy change. Creating a base case is a substantial undertaking, as the modeller is required to develop a view of what the economy may look like over the projection period and impose that on the model.

4.2.2.3 The shock to the model

The scenario modelled for the Consultation Regulation Impact Statement

Under national licensing requirements, barriers to entry to the property occupations in each jurisdiction are expected to diminish through, for example, reduction in costs for licensing and an increase in the readiness to work between jurisdictions. This may be translated as:

- an increase in efficiency of labour in the property services
- an increase in efficiency of capital in the property services
- a reduction in multiple licences fees that property licensees pay to government.

The reform will also affect the amount of public administration that the state and territory governments consume, as they will have to process fewer licences.

To model each of these impacts, calculations based on the results of the cost–benefit analysis have been drawn upon. As stated above, only the ongoing costs and benefits have been modelled.

Calculating an increase in efficiency of labour in property services

To calculate the labour efficiency shock, the net result has been taken from the direct model of time saved for property licensees as a result of the reforms (that is, the time and effort to obtain multiple licences for those working across jurisdictions) – plus the benefit that has been assumed in the cost–benefit analysis in terms of enhanced labour mobility – and turned it into an efficiency shock. To convert the time saved into an efficiency shock it has been assumed that there will be a decrease in labour cost equal to the monetary cost of the time saved, while holding revenue unchanged for the property services industry. The cost and revenue data for the analysis has been drawn from the IBISWorld report, *Real estate agents in Australia*.⁴² The CGE model does not explicitly contain a property services industry; rather, the property services industry is consumed by a variety of industries, the majority being in business services. To translate a labour efficiency gain in the property services industry into the business services industry, 2006 industry employment census data was used to estimate the proportion of the business services industry that can be attributed to the property services industry. The property services efficiency shock was then scaled appropriately to be applied to the business services industry in the CGE model. The CGE modelling then used the calculated efficiency gains to estimate what the broader economic impact would be on the Australian economy.

The modelling assumes that the property licensees would use time saved to undertake more work rather than take more leisure time.⁴³

Calculating an increase in capital efficiency

The business value-add result from the cost–benefit analysis has been translated as an increase in capital efficiency in the CGE model using the same methodology as outlined in calculating an increase in efficiency of labour (see above). A discussion of the calculation of the business value-add is outlined at 4.2.1.25.

⁴² IBIS World 2012, *Real estate agents in Australia*, Industry Report, March.

⁴³ It is possible that this is not the case – that is, some hours saved could add to leisure time rather than increase productive hours of work. While an increase in leisure time would be expected to increase welfare, this would not be picked up in MMRF since it only considers market impacts.

Calculating a decrease in government fees

The cost saved by property licensees as a result of a reduction in fees paid (licence fees paid to government and fees paid for education and training requirements) has been modelled as a cost saved to property licensees. This has been calculated by decreasing the proportion of fees paid to government.⁴⁴

Calculating changes to government expenditure

The change in state and territory government expenditure is dependent on the amount the government saves through reduced processing cost and the ongoing cost of the licensing authority. The CGE modelling of this is dependent on each state’s and territory’s net position.⁴⁵

4.3 Inputs and assumptions underlying the analysis

4.3.1 Assumptions in the cost–benefit analysis

The following tables provide details on all the key data sources and assumptions made in the impact analysis for this Consultation Regulation Impact Statement. In some areas assumptions have been made where data is not readily available. Where these assumptions are made the method for making the assumption is explained in the text and tables below.

4.3.1.1 Real discount rate

All future cost and benefit cash flows will be discounted to 2012 dollars using a real discount rate of 7 per cent in line with the requirements of the *Best practice regulation handbook*, which also recommends sensitivity testing using 3 per cent and 10 per cent discount rates.⁴⁶

Table 4.39: Discount rate and sensitivities

Assumption	Unit	Value	Source
Discount rate			
Real discount rate	% p.a.	Headline: 7% Sensitivity: 3%, 10%	Australian Government, ‘Best Practice Regulation Handbook’, Canberra, 2010, page 66.

4.3.1.2 Evaluation period

The *Best practice regulation handbook* states that ‘the total period [of evaluation] needs to be long enough to capture all potential costs and benefits of the proposal’ and provides guidance that ‘in view of the difficulty of forecasting costs and benefits over long periods, exercise caution when adopting an evaluation period longer than 20 years’.⁴⁷ Accordingly, an evaluation period of 10 years has been used, with sensitivity testing using 15 and 20 years.

44 The amount paid to government is based on the ABS 2005–06 input–output table. The total fee has been inflated to 2011 dollars as the cost saved under the cost–benefit analysis is in 2011 dollars

45 The amount consumed by each of the state and territory governments of public services is based on the ABS 2005–06 input–output tables and inflated to 2011 dollars. It has been assumed that government will consume less in administration services as a result of the reform (as informed by the cost–benefit results of a decrease in expenditure on licensing) but will also face additional costs associated with the licensing authority and the national licensing register.

46 Australian Government 2010, *Best practice regulation handbook*, Canberra, p. 66.

47 Ibid.

However, for the purposes of the impact analysis, it assumed that national licensing will commence for the first tranche of occupations from 1 July 2013.⁴⁸

Western Australia has advised that the operating start date in its jurisdictions is uncertain. Western Australia will consider its position following the consultation period. This has not been reflected in the cost–benefit analysis.

Table 4.40: Timing of analysis

Assumptions	Unit	Value	Source
Timing			
Operating start date	date	1 July 2013	Unpublished advice provided by COAG National Licensing Taskforce
Evaluation period	years	Headline: 10 years Sensitivity: 15, 20 years	Assumption based on advice in the <i>Best practice regulation handbook</i>

Note: Australian Government 2010, *Best practice regulation handbook*, Canberra, p. 63.

4.3.1.3 Wage rate

A jurisdiction-specific wage rate has been used in the model, based on data available from the Australian Bureau of Statistics relating to employee earnings and hours.⁴⁹

Hourly cash earnings

Data on hourly cash earnings for real estate sales agents has been sourced from the Australian Bureau of Statistics, *Employee earnings and hours (catalogue 6306.0)* using the Australian and New Zealand Standard Classification of Occupations (ANZSCO) codes.

According to the ANZSCO code 612, real estate sales agents sell, lease and manage non-residential property and private properties, and broker the buying and selling of businesses.

ANZSCO suggests that an indicative skills level for this occupation is an Australian Qualifications Framework Associate Degree, Advance Diploma or Diploma or at least three years of relevant experience (ANZSCO skill level 2). Alternatively, the indicative skill level of this occupation is an Australian Qualifications Framework Certificate III, including at least two years of on-the-job training, or a Certificate IV, or at least three years of relevant experience (ANZSCO skill level 3).⁵⁰

It is acknowledged that these wage rates overestimate the wage rate for an agent's representatives.

The hourly cash earnings rates below are based on ordinary time worked per person (excluding overtime), based on the specific hours worked in each jurisdiction.

It is assumed that as the activities involved with national licensing are ancillary to employment, the opportunity cost of time is the wage rate that can be earned in the industry (i.e. hourly cash earnings).

48 Tranche 1 includes the following occupational areas: electrical, plumbing and gasfitting, property, and refrigeration and air-conditioning.

49 See this link on the [ABS website](#).

50 See this link on the [ABS website](#).

On-cost and overheads

According to the Australian Bureau of Statistics labour costs survey (2002–03), an on-costs multiplier of 1.129 is appropriate for the ‘property and business services’ industry, which includes:

- employee earnings
- superannuation
- payroll tax
- worker’s compensation
- fringe benefits tax.⁵¹

In the absence of any other information, the *Victorian guide to regulation* suggests that an overheads multiplier of 1.5 is appropriate.⁵² The Victorian Competition and Efficiency Commission suggests that overhead costs include building costs (floor space, fixtures and fittings maintenance and services), equipment, consumables, IT and other support services, administrative support and corporate overheads (senior management, corporate finance, human resources and legal services).

Based on this information from the Australian Bureau of Statistics and Victorian Competition and Efficiency Commission, an on-cost and overheads multiplier of 1.693 is applied to the hourly cash earnings of property occupations (that is, $1.129 \times 1.5 = 1.693$)

Inflation rate

In order to inflate the hourly cash rates to 2012 dollars, the national consumer price index (CPI) for the period March 2010 to December 2011 was used based on data from the Australian Bureau of Statistics (catalogue 6401.0).⁵³ Note that the national CPI figures have been used. While ideally the wage rates would be inflated to 1 July 2012 (as the net present value is calculated as at 1 July 2012), the most recent data available when writing this report was CPI figures from December 2011.

Table 4.41: Wage rate assumptions

Assumption	Unit	Value	Source
Hourly cash earnings			
NSW	\$ per hour	\$27.50	Australian Bureau of Statistics, Employee earnings and hours , catalogue 6306.0, May 2010, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 612 ‘Real estate sales agents’, Table 1B. Note: Based on ‘ordinary time per person’ (excluding overtime)
Vic	\$ per hour	\$23.60	Australian Bureau of Statistics, Employee earnings and hours , catalogue 6306.0, May 2010, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 612 ‘Real estate sales agents’, Table 1C. Note: Based on ‘ordinary time per person’ (excluding overtime)

51 See this link on the [ABS website](#).

52 See this link on the [VCEC website](#).

53 March 2010 and December 2011 are the closest dates to May 2010 and March 2012 respectively.

Assumption	Unit	Value	Source
Qld	\$ per hour	\$23.60	Australian Bureau of Statistics, Employee earnings and hours , catalogue 6306.0, May 2010, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 612 'Real estate sales agents', Table 1D, viewed 29 March 2012. Note: Based on 'ordinary time per person' (excluding overtime)
WA	\$ per hour	\$30.60	Australian Bureau of Statistics, Employee earnings and hours , catalogue 6306.0, May 2010, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 612 'Real estate sales agents', Table 1F, Note: Based on 'ordinary time per person' (excluding overtime)
SA	\$ per hour	\$27.30	Australian Bureau of Statistics, Employee earnings and hours , catalogue 6306.0, May 2010, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 612 'Real estate sales agents', Table 1E, Note: Based on 'ordinary time per person' (excluding overtime)
Tas	\$ per hour	\$30.20	Australian Bureau of Statistics, Employee earnings and hours , catalogue 6306.0, May 2010, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 612 'Real estate sales agents', Table 1G. Note: Based on 'ordinary time per person' (excluding overtime)
ACT	\$ per hour	\$22.20	Australian Bureau of Statistics, Employee earnings and hours , catalogue 6306.0, May 2010, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 612 'Real estate sales agents', Table 1I. Note: Based on 'ordinary time per person' (excluding overtime)
NT	\$ per hour	\$35.00	Australian Bureau of Statistics, Employee earnings and hours , catalogue 6306.0, May 2010, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 612 'Real estate sales agents', Table 1H, Note: Based on 'ordinary time per person' (excluding overtime)
On-costs and overheads multiplier			
On-costs and overheads multiplier	Multiplier	1.693	Assumption based on Australian Bureau of Statistics labour cost survey data and guidance material from the Victorian Competition and Efficiency Commission
Inflation rate (May 2010 to December 2011)			
Inflation rate	%	4.91%	Australian Bureau of Statistics, Consumer Price Index, Australia , catalogue 6401.0, December 2011, Note: Inflation index from March 2010 (index number of 171.0) to December 2011 (index number of 179.4).

4.3.1.4 Industry growth rates (employment)

The net industry growth rate represents the number of people leaving and entering the industry per year.

The proportion of new applicants only takes into the consideration the number of new entrants in the industry.

South Australia has provided specific data on the number of applicants in a given year. Where this information has not been provided, a national figure based on data from the Australian Bureau of Statistics labour mobility survey has been used.

Table 4.42: Business sector revenue contribution

Assumptions	Unit	Value	Source
Industry revenue – national			
Office	\$'000 per annum	27,200,000	IBISWorld Industry Report, <i>Office property operators in Australia</i> , February 2012, www.ibisworld.com.au
Retail	\$'000 per annum	30,200,000	IBISWorld Industry Report, <i>Retail property operators in Australia</i> , March 2012, www.ibisworld.com.au
Residential	\$'000 per annum	29,200,000	IBISWorld Industry Report, <i>Residential property operators and Developers in Australia</i> , March 2012, www.ibisworld.com.au
Real estate	\$'000 per annum	9,000,000	IBISWorld Industry Report, <i>Real estate agents in Australia</i> , March 2012, www.ibisworld.com.au
Industrial	\$'000 per annum	21,000,000	IBISWorld Industry Report, <i>Industrial and other property operators and developers in Australia</i> , November 2011 – annual change in employment, www.ibisworld.com.au
Property – total	\$'000 per annum	116,600,000	

Table 4.43: Industry growth rates (employment)

Assumptions	Unit	Value	Source
Net industry growth – national			
Office	% per annum	3.9%	IBISWorld Industry Report, <i>Office property operators in Australia</i> , February 2012 – annual change in employment – average of current and projected rates for 2011–12 to 2016–17, www.ibisworld.com.au
Retail	% per annum	1.32%	IBISWorld Industry Report, <i>Retail property operators in Australia</i> , March 2012 – annual change in employment – average of current and projected rates for 2011–12 to 2016–17, www.ibisworld.com.au
Residential	% per annum	1.0%	IBISWorld Industry Report, <i>Residential property operators and developers in Australia</i> , March 2012 – annual change in employment – average of current and projected rates for 2011–12 to 2016–17, www.ibisworld.com.au
Real estate	% per annum	1.87%	IBISWorld Industry Report, <i>Real estate agents in Australia</i> , March 2012 – annual change in employment – average of current and projected rates for 2011–12 to 2016–17, www.ibisworld.com.au
Industrial	% per annum	0.45%	IBISWorld Industry Report, <i>Industrial and other property operators and developers in Australia</i> , November 2011 – annual change in employment – average of current and projected rates for 2011–12 to 2016–17, www.ibisworld.com.au
Property – total	% per annum	1.728%	This is a weighted average of the net growth rates for each industry above, weighted based on the revenue contribution of each category to the total market identified in Table 4.39.
Proportion of new applicants in the industry (new applicants as a proportion of existing licensees)			
NSW	% per annum	5.166%	Australian Bureau of Statistics, Labour mobility , February 2010, catalogue 6209.0, Table 7, page 23. Based on the 'Rental, hiring and real estate services' industry Calculated as the number of employees who entered into a different industry division in the last 12 months, as a proportion of the total number of employees in that industry during that time

Assumptions	Unit	Value	Source
Vic	% per annum	5.166%	Australian Bureau of Statistics, Labour mobility , February 2010, catalogue 6209.0, Table 7, page 23. Based on the 'Rental, hiring and real estate services' industry Calculated as the number of employees who entered into a different industry division in the last 12 months, as a proportion of the total number of employees in that industry during that time
Qld	% per annum	5.166%	Australian Bureau of Statistics, Labour mobility , February 2010, catalogue 6209.0, Table 7, page 23. Based on the 'Rental, hiring and real estate services' industry Calculated as the number of employees that entered into a different industry division in the last 12 months, as a proportion of the total number of employees in that industry during that time
WA	% per annum	5.166%	Australian Bureau of Statistics, Labour mobility , February 2010, catalogue 6209.0, Table 7, page 23. Based on the 'Rental, hiring and real estate services' industry Calculated as the number of employees who entered into a different industry division in the last 12 months, as a proportion of the total number of employees in that industry during that time
SA	% per annum	5.319%	Based on information provided by the South Australian regulator on new land agent applications in 2009–10 (272) as a proportion of total existing licensees (5,114), received February 2012
Tas	% per annum	5.166%	Australian Bureau of Statistics, Labour mobility , February 2010, catalogue 6209.0, Table 7, page 23. Based on the 'Rental, hiring and real estate services' industry Calculated as the number of employees who entered into a different industry division in the last 12 months, as a proportion of the total number of employees in that industry during that time
ACT	% per annum	5.166%	Australian Bureau of Statistics, Labour mobility , February 2010, catalogue 6209.0, Table 7, page 23. Based on the 'Rental, hiring and real estate services' industry Calculated as the number of employees who entered into a different industry division in the last 12 months, as a proportion of the total number of employees in that industry during that time
NT	% per annum	5.166%	Australian Bureau of Statistics, Labour mobility , February 2010, catalogue 6209.0, Table 7, page 23. Based on the 'Rental, hiring and real estate services' industry Calculated as the number of employees who entered into a different industry division in the last 12 months, as a proportion of the total number of employees in that industry during that time

4.3.1.5 Licence fees

The licence fees presented in Table 4.44 are the current fees under the existing jurisdiction-based licensing schemes.

Table 4.44: Licence fees – real estate agent

Assumption	Unit	Value	Source
Cost of licence fee – real estate agent (new licence fee)			
NSW	\$ per licensee	\$389	Based on information provided by NSW regulator on 29 February 2012 Processing component (\$185) and licence component (\$204) for both individuals and corporations
Vic	\$ per licensee	\$507.95	Business Licensing Authority Victoria, <i>Fees</i> , www.bla.vic.gov.au/find/fees/#Estate Average of individual licence fee (\$372) and company licence fee (\$644)

Assumption	Unit	Value	Source
Qld	\$ per licensee	\$1,628.45	Office of Fair Trading, <i>License Types</i> , www.fairtrading.qld.gov.au/property-agent-licence-types.htm Average of individual licence fee (\$2106) and corporate licence fee (\$1151) Criminal history check fee (\$36) excluded
WA	\$ per licensee	\$944	Department of Commerce, <i>Licensing fees</i> , www.commerce.wa.gov.au/consumerProtection/Content/Licences/Real_Estate_Industry/Licensing_fees.html#reba The average of an individual fee (\$688 licence fee and \$150 contribution to fidelity guarantee account) and a company fee (\$900 licence fee and \$150 contribution to fidelity guarantee account) Advertising fees have not been included as this has been accounted for under the impact of removing advertising requirements
SA	\$ per licensee	\$586.70	Consumer and Business Services, <i>Fees for licensing – land agents</i> , www.ocba.sa.gov.au/licensing/fees.html#Land_Agents_Act_1994 Average of individual fee (\$244 application fee and \$298 pre-grant fee) and body corporate fee (\$244 application fee and \$449 pre-grant fee)
Tas	\$ per licensee	\$612	Property Agents Board, <i>Fees and charges</i> , www.propertyagentsboard.com.au/feesandcharges.htm Average of individual fee (\$136 application fee and \$408 licence fee) and company fee (\$272 application fee and \$408 licence fee)
ACT	\$ per licensee	\$637	Justice and Community Safety, <i>Forms and fees</i> , www.ors.act.gov.au/business/agents/forms_and_fees Application fee for agent licence (\$637)
NT	\$ per licensee	\$351	Department of Justice, <i>Licensing, regulation and alcohol strategy factsheet</i> , www.nt.gov.au/justice/licenreg/documents/schedule_of_fees/fs_pal_fees.pdf Application fee for real estate agents (\$351)

Table 4.45: Licence fees –agent’s representative

Assumption	Unit	Value	Source
Cost of licence fee –agent’s representative (new licence fee)			
NSW	\$ per licensee	\$117	Based on information provided by NSW regulator on 29 February 2012 Salesperson certificate (\$117)
Vic	\$ per licensee	\$0	Employer registration scheme – no licence fee applies
Qld	\$ per licensee	\$445.55	Office of Fair Trading, <i>License types</i> , www.fairtrading.qld.gov.au/property-agent-licence-types.htm Real estate salesperson (\$445.55)
WA	\$ per licensee	\$222	Department of Commerce, <i>Licensing fees</i> , www.commerce.wa.gov.au/consumerProtection/Content/Licences/Real_Estate_Industry/Licensing_fees.html#reba Sales representatives – registration (\$177) and contribution to fidelity guarantee account (\$45)
SA	\$ per licensee	\$191	Consumer and Business Services, <i>Fees for licensing – land agents</i> , www.ocba.sa.gov.au/licensing/fees.html#Land_Agents_Act_1994
ACT	\$ per licensee	\$191	Information provided by the ACT in June 2012
NT	\$ per licensee	\$66	Department of Justice, <i>Licensing, regulation and alcohol strategy factsheet</i> , www.nt.gov.au/justice/licenreg/documents/schedule_of_fees/fs_pal_fees.pdf

Table 4.46: Renewal licence fees – real estate agent

Assumption	Unit	Value	Source
Cost of renewal licence fee – real estate agent			
NSW	\$ per licensee	\$264	Based on information provided by NSW regulator on 29 February 2012 Processing component (\$60) and licence component (\$204) for both individuals and corporations
Vic	\$ per licensee	\$298	Business Licensing Authority Victoria, <i>Fees</i> , www.bla.vic.gov.au/find/fees/#Estate Average of individual annual licence fee (\$186) and company annual licence fee (\$409)
Qld	\$ per licensee	\$570.65	Office of Fair Trading, <i>License types</i> , www.fairtrading.qld.gov.au/property-agent-licence-types.htm Average of individual licence fee (\$2106) and corporate licence fee (\$1151) Criminal history check fee (\$36) excluded
WA	\$ per licensee	\$442	Department of Commerce, <i>Licensing fees</i> , www.commerce.wa.gov.au/consumerProtection/Content/Licences/Real_Estate_Industry/Licensing_fees.html#reba Renewal fee for individual or company (\$442)
SA	\$ per licensee	\$370	Consumer and Business Services, <i>Fees for licensing – land agents</i> , www.ocba.sa.gov.au/licensing/fees.html#Land_Agents_Act_1994 Average of individual periodic fee (\$298) and body corporate periodic fee (\$449)
Tas	\$ per licensee	\$408.40	Property Agents Board, <i>Fees and charges</i> , www.propertyagentsboard.com.au/feesandcharges.htm Real estate agent fee (\$408)
ACT	\$ per licensee	\$637	Justice and Community Safety, <i>Forms and fees</i> , www.ors.act.gov.au/business/agents/forms_and_fees Application fee for agent licence (\$637)
NT	\$ per licensee	\$351	Department of Justice, <i>Licensing, regulation and alcohol strategy factsheet</i> , www.nt.gov.au/justice/licenreg/documents/schedule_of_fees/fs_pal_fees.pdf Renewal fee for real estate agents (\$351)

Table 4.47: Renewal licence fees –agent’s representatives

Assumption	Unit	Value	Source
Cost of licence fee –agent representatives (renewal licence fee)			
NSW	\$ per licensee	\$79	Based on information provided by NSW regulator on 29 February 2012 Processing component (\$38) and licence component (\$41) for salesperson certificate
Vic	\$ per licensee	\$0	Employer registration scheme – no licence fee applies
Qld	\$ per licensee	\$445.55	Office of Fair Trading, <i>License types</i> , www.fairtrading.qld.gov.au/property-agent-licence-types.htm Real estate salesperson (\$445.55)
WA	\$ per licensee	\$145	Department of Commerce, <i>Licensing fees</i> , www.commerce.wa.gov.au/consumerProtection/Content/Licences/Real_Estate_Industry/Licensing_fees.html#reba Fee for sales representatives
SA	\$ per licensee	\$191	Consumer and Business Services, <i>Fees for licensing – land agents</i> , www.ocba.sa.gov.au/licensing/fees.html#Land_Agents_Act_1994
ACT	\$ per licensee	\$191	Based on information provided by the ACT in June 2012

Assumption	Unit	Value	Source
NT	\$ per licensee	\$66	Department of Justice, <i>Licensing, regulation and alcohol strategy factsheet</i> , www.nt.gov.au/justice/licenreg/documents/schedule_of_fees/fs_pal_fees.pdf

Processing component of licence fees

Table 4.48: Processing application component of new licence fees

Assumption	Unit	Value	Source
Processing application component of new licence fees			
Processing fee component (other than NSW)	%	27.67%	PricewaterhouseCoopers, <i>Estimating financial impacts of the national occupational licensing system: final report</i> , August 2009, p. 24 Based on estimates of the efficient processing component of licence fees from a survey of regulators undertaken in 2009 (specific to licensing of property occupations) Estimate percentage based on licence processing cost as a proportion of fee revenue
NSW – agents	\$	\$185	Based on information received from NSW regulator on 29 February 2012
NSW – reps	\$	\$76	Based on information received from NSW regulator on 29 February 2012

Table 4.49: Processing application component of renewal licence fees

Assumption	Unit	Value	Source
Processing application component of renewal licence fees			
Processing fee component (other than NSW)	%	27.67%	PricewaterhouseCoopers, <i>Estimating financial impacts of the national occupational licensing system: final report</i> , August 2009, p. 24 Based on estimates of the efficient processing component of licence fees from a survey of regulators undertaken in 2009 (specific to licensing of property occupations) Estimate percentage based on licence processing cost as a proportion of fee revenue
NSW – agents	\$	\$60	Based on information received from NSW regulator on 29 February 2012
NSW – reps	\$	\$38	Based on information received from NSW regulator on 29 February 2012
SA	\$	\$5	Based on information received from SA regulator in June 2012

4.3.1.6 Number of licensees

Table 4.50: Total number of licensees – real estate agents (including agent’s representatives or sales representatives)

Assumption	Unit	Value	Source
Total existing property licensees (includes agent’s representative or sales representatives)			
NSW	# licensees	40,422	Unpublished data provided by NSW regulator 29 February 2012 17,267 individual licensees and 5,692 corporate licensees
Vic	# licensees	18,446	Unpublished data provided by COAG National Licensing Taskforce, <i>Property occupations – licence policy development paper</i> , Table 5, p. 11, received May 2011

Assumption	Unit	Value	Source
Qld	# licensees	38,342	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011 It is assumed that this figure includes sales representatives While the document is unclear on whether they are included or not, this assumption has been made based on the relative size of Queensland to other jurisdictions
WA	# licensees	21,742	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011
SA	# licensees	5,114	Unpublished data provided by SA regulator in January 2012
Tas	# licensees	357	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, page 11, received May 2011
ACT	# licensees	1,009	Pro rata applied to the number of licensees in the ACT under other first stage occupations (i.e. electrical, plumbing and gasfitting, and refrigeration and air-conditioning), based on the average percentage of property licensees to total licensees (across the first stage occupations) of other jurisdictions.
NT	# licensees	966	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011

Table 4.51: Total existing property licensees (excluding agent's representatives or sales representatives)

Assumption	Unit	Value	Source
Total existing property licensees (excludes agent's representatives or sales representatives)			
NSW	# licensees	22,959	Unpublished data provided by NSW regulator 29 February 2012 17,267 individual licensees and 5,692 corporate licensees
Vic	# licensees	8,777	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011
Qld	# licences	20,371	Calculated based on the average proportion of licensees across representatives and full agents in other jurisdictions where the number of sales representatives is known (NSW, SA and Victoria)
WA	# licensees	11,483	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011
SA	# licensees	2,813	Unpublished data provided by SA regulator in January 2012
Tas	# licensees	357	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011
ACT	# licensees	1,009	Pro rata applied to the number of licensees in the ACT under other first-stage occupations (i.e. electrical, plumbing and gasfitting and refrigeration and air-conditioning), based on the average percentage of property licensees to total licensees (across the first stage occupations) of other jurisdictions

Assumption	Unit	Value	Source
NT	# licensees	510	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011

Table 4.52: Number of existing agent representatives or sales representatives

Assumption	Unit	Value	Source
Total number of representatives –agents representatives or sales representatives			
NSW	# licensees	17,463	Unpublished data provided by NSW regulator 29 February 2012
Vic	# licensees	9,669	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011
Qld	# licensees	17,971	Calculated by multiplying the total number of real estate licensees (38,342) by the average ratio of agent’s representatives to licensees of NSW, Vic and SA
WA	# licensees	10,259	Calculated by multiplying the total number of real estate licensees (11,483) by the average ratio of agent’s representatives to licensees of NSW, Vic and SA
SA	# licensees	2,301	Unpublished data provided by SA regulator in January 2012
ACT	# licensees	743	Based on data provided by the ACT in June 2012
NT	# licensees	456	Calculated by multiplying the total number of real estate licensees (510) by the average ratio of agent’s representatives to licensees of NSW, Vic and SA

Table 4.53: Number of licensees working in non-residential property services

Assumption	Unit	Value	Source
Existing agents – working in non-residential property services			
NSW	# licensees	3,673	IBISWorld, IBISWorld Industry Report, <i>Real estate agents in Australia</i> , March 2012, p. 14 Multiplied the total number of existing real estate licensees (excluding representatives) by 16%, as per the percentage of non-residential services supplied in the total real estate market
Vic	# licensees	1,404	
Qld	# licensees	3,259	
WA	# licensees	1,837	
SA	# licensees	450	
Tas	# licensees	57	
ACT	# licensees	133	
NT	# licensees	82	
Existing agent’s representatives or sales representatives–working in non-residential property services			
NSW	# licensees	2,794	IBISWorld, IBISWorld Industry Report, <i>Real estate agents in Australia</i> , March 2012, p. 14 Multiplied the total number of existing real estate licensees in Table 4.46 by 16%, as per the percentage of non-residential services supplied in the total real estate market
Vic	# licensees	1,547	
Qld	# licensees	2,875	
WA	# licensees	1,641	
SA	# licensees	368	
Tas	# licensees	N/A	
ACT	# licensees	119	
NT	# licensees	73	

Table 4.54: Number of existing strata managing agents

Assumption	Unit	Value	Source
Total number of licensees – strata managing agents			
NSW	# licensees	1,423	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011 Note that this figure is only used to estimate the number of licensees in other states. There is no impact on strata managing agents in NSW
Vic	# licensees	545	Provided by the regulator to the Taskforce July 2012
ACT	# licensees	58	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011 Calculated by multiplying the total number of real estate licensees (1,009) by the average percentage of strata managing agents within the total number of real estate agent licensees in NSW and Victoria
NT	# licensees	29	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011 Calculated by multiplying the total number of real estate licensees (510) by the average percentage of strata managing agents within the total number of real estate agent licensees in NSW and Victoria (5.74%)

Table 4.55: Number of auctioneers (agents only)

Assumption	Unit	Value	Source
Number of licensees – auctioneers – agents			
NSW	# licensees	1,810	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011 The proportion of auctioneers who are agents (rather than representatives) has been estimated based on the proportion of agents to total licensees in NSW
Vic	# licensees	1,012	Calculated by multiplying the total number of real estate agent licensees by the percentage of licensees who are auctioneers in NSW, Qld, SA and NT
Qld	# licensees	1,070	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011 The proportion of auctioneers who are agents (rather than representatives) has been estimated based on the proportion of agents to total licensees in Qld
WA	# licensees	1,324	Calculated by multiplying the total number of real estate agent licensees by the percentage of licensees who are auctioneers in NSW, Qld, SA and NT
SA	# licensees	336	Unpublished data provided by SA in June 2012 SA advised there are 799 auctioneer licensees and 58% are representatives. Hence, it is assumed that 42% are agents
Tas	# licensees	41	Calculated by multiplying the total number of real estate agent licensees by the percentage of licensees who are auctioneers in NSW, Qld, SA and NT
ACT	# licensees	96	Calculated by multiplying the total number of real estate agent licensees by the percentage of licensees who are auctioneers in NSW, Qld, SA and NT
NT	# licensees	107	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011 The proportion of auctioneers who are agents (rather than representatives) has been estimated based on the proportion of agents to total licensees in NT

Table 4.56: Number of auctioneers (agent’s representatives or sales representatives)

Assumption	Unit	Value	Source
Number of licensees – auctioneers –agent’s representatives or sales agent’s representatives			
NSW	# licensees	1,621	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011 The proportion of auctioneers who are representatives has been estimated based on the proportion of agent’s representatives to total licensees in NSW
Vic	# licensees	1,273	Calculated by multiplying the total number of property agent’s representatives by the percentage of representatives who are auctioneers in NSW, Qld, Sa and NT
Qld	# licensees	956	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011 The proportion of auctioneers who are representatives has been estimated based on the proportion of agent’s representatives to total licensees in Qld
WA	# licensees	1,351	Calculated by multiplying the total number of property agent’s representatives by the percentage of representatives who are auctioneers in NSW, Qld, SA and NT
SA	# licensees	462	Unpublished data provided by SA in June 2012. SA advised that there are 799 auctioneer licensees and 58% are representatives
ACT	# licensees	98	Calculated by multiplying the total number of property agent’s representatives by the percentage of representatives who are auctioneers in NSW, Qld, SA and NT
NT	# licensees	82	Unpublished data provided by COAG National Licensing Taskforce, Property occupations – licence policy development paper, Table 5, p. 11, received May 2011 The proportion of auctioneers who are representatives has been estimated based on the proportion of agent’s representatives to total licensees in NT

4.3.1.7 Frequency of renewal of licence

Table 4.57: Current frequency of renewal – for property licences

Assumption	Unit	Value	Source
Current frequency of renewal (i.e. licence period)			
NSW	years	1	NSW Fair Trading 2011, <i>Property, stock and business agents fees</i> , www.fairtrading.nsw.gov.au
Vic	years	1	Victorian Business Licensing Authority 2011, <i>Estate agents</i> , www.bla.vic.gov.au
Qld	years	3	Qld Department of Justice and Attorney General 2011, <i>Licensing register</i> , www.fairtrading.qld.gov.au
WA	years	3	WA Real Estate and Business Agents 2011, <i>Licensing fees</i> , www.reba.wa.gov.au
SA	years	1	SA Office of Consumer and Business Affairs 2011, <i>Land agent</i> , wwwr.ocba.sa.gov.au
Tas	years	Perpetual	Real Estate Institute of Tasmania 2011, www.reit.com.au
ACT	years	1	ACT Government, Justice and Community Safety, <i>Forms and fees</i> , www.ors.act.gov.au/business/agents/forms_and_fees
NT	years	1	NT Department of Justice 2011, <i>Real estate licences</i> , www.nt.gov.au/justice/licenreg

4.3.1.8 Time cost of applying for a licence

The time costs shown in table 4.58 are based on regulator estimates or provided by the Productivity Commission.⁵⁴

Table 4.58: Time cost of applying for a real estate agent's licence (individual and company)

Assumptions	Unit	Value	Source
Time cost of applying for a licence – all licences			
NSW	Hours per licensee	0.32 hours (19 minutes)	Productivity Commission 2008, <i>Performance benchmarking of Australian business regulation: cost of business registrations</i> , pp. 147–151 Based on regulator cost estimates for registering a real estate agency, including obtaining information and forms, completing and lodging forms, paying fees and attending interviews (if applicable) in this jurisdiction
Vic	Hours per licensee	6 hours (360 minutes)	Productivity Commission 2008, <i>Performance benchmarking of Australian business regulation: cost of business registrations</i> , pp. 147–151 Based on regulator cost estimates for registering a real estate agency, including obtaining information and forms, completing and lodging forms, paying fees and attending interviews (if applicable) in this jurisdiction
Qld	Hours per licensee	2 hours (120 minutes)	Productivity Commission 2008, <i>Performance benchmarking of Australian business regulation: cost of business registrations</i> , pp. 147–151 Based on regulator cost estimates for registering a real estate agency, including obtaining information and forms, completing and lodging forms, paying fees and attending interviews (if applicable) in this jurisdiction
WA	Hours per licensee	2.65 hours (19 minutes)	Productivity Commission 2008, <i>Performance benchmarking of Australian business regulation: cost of business registrations</i> , pp. 147–151 Based on regulator cost estimates for registering a real estate agency, including obtaining information and forms, completing and lodging forms, paying fees and attending interviews (if applicable) in this jurisdiction
SA	Hours per licensee	0.25 hours (15 minutes)	Based on an estimate provided by the SA regulator in June 2012
Tas	Hours per licensee	1 hour (60 minutes)	Productivity Commission 2008, <i>Performance benchmarking of Australian business regulation: cost of business registrations</i> , pp. 147–151 Based on regulator cost estimates for registering a real estate agency, including obtaining information and forms, completing and lodging forms, paying fees and attending interviews (if applicable) in this jurisdiction

⁵⁴ Productivity Commission 2008, *Performance benchmarking of Australian business regulation: cost of business registrations (Cost of registering a real estate agency)*, pp. 147–151.

Assumptions	Unit	Value	Source
NT	Hours per licensee	1.33 hours (80 minutes)	Productivity Commission 2008, <i>Performance benchmarking of Australian business regulation: cost of business registrations</i> , pp. 147–151 Based on regulator cost estimates for registering a real estate agency, including obtaining information and forms, completing and lodging forms, paying fees and attending interviews (if applicable) in this jurisdiction
ACT	Hours per licensee	1.67 hours (100 minutes)	Productivity Commission 2008, <i>Performance benchmarking of Australian business regulation: cost of business registrations</i> , pp. 147–151 Based on regulator cost estimates for registering a real estate agency, including obtaining information and forms, completing and lodging forms, paying fees and attending interviews (if applicable) in this jurisdiction

4.3.1.9 Time cost of renewing a licence

It is assumed that renewing a licence is less onerous than applying for a new licence. A proxy based on the estimated effort to government (as illustrated by the renewal/new fee differential) has been used for illustrative purposes. The figures below are used to reduce the time component associated with applying for a licence. For example, in New South Wales it is assumed that it takes 13 minutes (68 per cent of 19 minutes) to renew a licence.

Table 4.59: Percentage of new licence costs incurred on renewal

Assumption	Unit	Value	Source
Fee differential between renewal and new licences			
NSW	%	68%	Based on licence fee data – renewal fee over new licence fee for a real estate agent
Vic	%	59%	Based on licence fee data – renewal fee over new licence fee for an estate agent
Qld	%	35%	Based on licence fee data – renewal fee over new licence fee for real estate agents
WA	%	47%	Based on licence fee data – renewal fee over new licence fee for a real estate agent
SA	%	58%	Based on licence fee data – renewal fee over new licence fee for a land agent
Tas	%	67%	Based on licence fee data – renewal fee over new licence fee for a real estate agent
ACT	%	56%	New and renewal fees are the same, which would lead to 100%. As this is a proxy for applying to time, this percentage has been based on the average of all other jurisdictions where the percentage is not 100%
NT	%	56%	New and renewal fees are the same, which would lead to 100%. As this is a proxy for applying to time, this percentage has been based on the average of all other jurisdictions where the percentage is not 100%

4.3.1.10 Transition costs for industry

Under national licensing, transition costs would be imposed on industry. Specifically, licensees would need to understand the changes and how they are affected by them. Time costs would be incurred either by reading material, attending an information seminar or through some other means.

It is assumed that it would take each licensee 45 minutes to understand the changes, based on advice from the Office of Best Practice Regulation on what a reasonable assumption for this estimate would be in a Consultation RIS. It is assumed that this cost is incurred before the implementation of national licensing, in 2012–13. This estimate will be further tested with industry during consultations.

Table 4.60: Industry transition costs

Assumption	Unit	Value	Source
Industry transition costs (time to understand national licensing)			
Time	Hours per licensee	0.75 hours	An assumption of 45 minutes per licensee

4.3.1.11 Mutual recognition

Case studies provided by – and discussions with – the COAG National Licensing Taskforce suggest that in some cases the time to obtain a mutual recognition can far exceed the time to obtain a licence for those residing in a given jurisdiction. This reflects additional search costs and potential delays associated with gaining mutual recognition. For that reason, this analysis assumed that obtaining a mutual recognition takes twice the time taken to obtain a licence for those residing in a jurisdiction.

Table 4.61: Time cost associated with obtaining mutual recognition licence, multiplication factor

Assumptions	Unit	Value	Source
Time cost to apply for a new licence under mutual recognition			
Property services	Multiplication factor	2	Assumption based on information provided by the COAG National Licensing Taskforce and from jurisdictional regulators

South Australia and the Australian Capital Territory have indicated that it would typically take less time for a licensee to renew such a licence compared with the time that would be taken if the licensee resided in their own jurisdiction. However, case studies provided by – and discussions with – the COAG National Licensing Taskforce suggest that licence applications are more onerous under mutual recognition, including for renewals. For that reason, this analysis has assumed that renewing a mutual recognition licence takes 5 per cent more time than the time taken to renew a licence for those residing in a jurisdiction (over and above the time to apply for a licence – see Table 4.58).

Table 4.62: Additional time cost upon renewal due to mutual recognition

Assumptions	Unit	Value	Source
Additional time cost due to mutual recognition (renewal only)			
Property services	% per licence	5%	Assumption based on information provided by the COAG National Licensing Taskforce and from jurisdictional regulators

4.3.1.12 Removal of requirement to hold multiple licences across jurisdictions

Table 4.63: Percentage of licensees domiciled in another jurisdiction

Assumptions	Unit	Value	Source
Percentage of licensees domiciled in another jurisdiction			
NSW	%	3.87%	Unpublished data provided by the COAG National Licensing Taskforce, 27 July 2011. Data provided was consolidated across all occupations

Assumptions	Unit	Value	Source
Vic	%	4.16%	Unpublished data provided by Victoria received January 2012
Qld	%	4.45%	Unpublished data provided by the COAG National Licensing Taskforce, 27 July 2011. Data provided was consolidated across all occupations
WA	%	1.11%	Unpublished data provided by Western Australia, received May 2012. The percentage has been based on data for both agents and representatives
SA	%	6.21%	Unpublished data provided by the COAG National Licensing Taskforce, 27 July 2011. Data provided was consolidated across all occupations
Tas	%	11.84%	Unpublished data provided by the COAG National Licensing Taskforce, 27 July 2011. Data provided was consolidated across all occupations
ACT	%	33.14%	Unpublished data provided by the COAG National Licensing Taskforce, 27 July 2011. Data provided was consolidated across all occupations
NT	%	9.69%	Unpublished data provided by the COAG National Licensing Taskforce, 27 July 2011. Data provided was consolidated across all occupations

Given that the exact distribution of multiple licence holders across distributions is unknown, migration flows from 2010–11 have been used as a proxy. The percentages have been calculated based on migration numbers provided in Australian Bureau of Statistics 2011, *Australian demographic statistics*, catalogue 3101.0, June quarter, Table 19 – interstate migration 2010–11.

Table 4.64: Estimated distribution of licence holders that hold a licence, domiciled in another jurisdiction (based on ABS data as a proxy)

		Jurisdiction in which licence holders are domiciled								Total
		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	
Jurisdiction in which the multiple licences are held	NSW		24%	42%	6%	9%	3%	12%	3%	100%
	Vic	36%		28%	10%	13%	5%	4%	4%	100%
	Qld	48%	22%		7%	10%	4%	4%	6%	100%
	WA	23%	26%	22%		11%	3%	3%	13%	100%
	SA	26%	24%	26%	9%		5%	2%	8%	100%
	Tas	20%	25%	29%	7%	13%		3%	4%	100%
	ACT	57%	13%	16%	4%	4%	2%		3%	100%
	NT	21%	19%	29%	13%	13%	2%	3%		100%

4.3.1.13 Experience requirements

Under national licensing, experience requirements for all property licence holders would be removed, meaning some licensees could obtain their qualification sooner. The direct benefit to licence holders of removing experience requirements could be measured by the wage difference between unqualified real estate workers and fully accredited licence holders. The wage differential cannot be fully attributed to the experience requirement, as a variety of factors could affect wage levels. For the purposes of this analysis, it is assumed that a wage differential of 50 cents per hour can be attributable to the experience requirement.

The actual experience requirements in each jurisdiction vary. To provide an indicative estimate of the potential benefit, we have assumed a conservative estimate of one year for all jurisdictions that require an experience requirement.

Table 4.65: Benefits associated with the removal of experience requirements

Assumptions	Unit	Value	Source
Assumed wage differential between agents and representatives attributable to experience requirement			
All jurisdictions (where an experience requirement exists)	\$ per licensee	\$0.50 per hour	Assumption used in this report for indicative purposes
Years of experience required			
All jurisdictions (where an experience requirement exists)	Years per licensee	1 year	Assumption used in this report for indicative purposes
Working hours per year			
All jurisdictions	Hours per licensee	1,800	Assumption based on 7.5 working hours per day, 5 working days per week, 48 working weeks per year

4.3.1.14 Improved labour mobility

To provide an indication of the potential benefit due to an increase in labour mobility as a result of national licensing, this Consultation RIS draws on the work undertaken in this area by the Productivity Commission. For the purposes of this analysis, the following assumptions have used to calculate an indicative estimate.

Table 4.66: Increase in real GDP due to national licensing

Assumption	Unit	Value	Source
Increase in real GDP due to national licensing			
Increase in real GDP due to full labour mobility	%	0.3%	Productivity Commission 2009, <i>Review of mutual recognition schemes: research report</i> , Canberra, p. 73.
Proportion of full labour mobility attributable to national licensing	%	10%	This assumption was made for illustrative purposes and was agreed to in discussions between the Commonwealth Treasury and the Office of Best Practice Regulation The aim of this estimate is to provide guidance on the potential impact in the context of mutual recognition, which has partly facilitated labour mobility under the base case

Table 4.67: Real GDP

Assumption	Unit	Value	Source
Real GDP			
National real GDP in 2011	\$	\$1.335 trillion	Australian Bureau of Statistics 2011, <i>Australian national accounts: national income, expenditure and product (gross domestic product, chain volume measures)</i> , catalogue no. 5206.0, December, 2012, www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5206.0Dec%202011?OpenDocument

Table 4.68: The property industry as a proportion of real GDP

Assumption	Unit	Value	Source
Proportion of real GDP attributable to the property services industry			

Assumption	Unit	Value	Source
National	%	1.1%	<p>This percentage is based on the total number of property licensees as a proportion of the total number of persons employed in Australia. Total employed persons as at March 2012 was 11.49 million, and there are 127,000 property licensees (see licence numbers above)</p> <p>Total employed persons, Australian Bureau of Statistics 2012, <i>Labour force, Australia (Labour force status by sex)</i>, March 2012 catalogue no. 6202</p> <p>The benefit of perfect labour mobility estimated by the Productivity Commission was estimated for 'registered workers'. Therefore, it may be more accurate to take property services as a proportion of registered workers, which would lead to a higher estimate than 1.1%. However, to be conservative, an estimate based on the assumptions above was agreed to in discussions between the Commonwealth Treasury and the Office of Best Practice Regulation.</p>

4.3.1.15 Proportion of non-residential property agents who currently undertake residential property work

Table 4.69: Proportion of non-residential property agents who currently undertake residential property work

Assumptions	Unit	Value	Source
Proportion of commercial property agents who currently undertake residential work			
NSW	%	40	<p>These percentages are based on an analysis of 45 commercial real estate agents across Australia (10 in NSW and 5 in all other jurisdictions). The commercial real estate agents were selected randomly from agents listed on www.commercialrealestate.com.au and www.realcommercial.com.au. The website of each real estate agent was canvassed to identify whether they undertake both non-residential property and residential agency work. To account for the small sample, an upper limit of 95 per cent was also placed on these estimates. It seems reasonable to assume the two extremes (0% and 100%) are unlikely occur in practice</p> <p>While these percentages are based on a small sample in each jurisdiction, they have been used in this analysis to provide an indicative estimate to go out for consultation as part of this Consultation RIS</p> <p>Feedback on these assumptions is sought</p>
Vic	%	40	
Qld	%	60	
WA	%	95	
SA	%	80	
Tas	%	95	
ACT	%	40	
NT	%	95	

4.3.1.16 Cost of continuing professional development requirements

Table 4.70: Fees associated with continuing professional development requirements

Assumptions	Unit	Value	Source
Fees associated with continuing professional development requirements			
NSW	\$ per course	\$199	<p>Real Estate Institute of NSW, <i>Skills to succeed and stay ahead</i>, www.reinsw.com.au/default.aspx?FolderID=33</p> <p>A 12-point CPD course costs \$199</p>

Assumptions	Unit	Value	Source
WA	\$ per course	\$147	<p>WA requires professionals to achieve 3 points for mandatory CPD training and 7 points for elective training. The cost of mandatory training is borne by the government through the Consumer Protection Division. The cost of this mandatory training is unidentified and has therefore been excluded from this analysis</p> <p>Department of Commerce Consumer Protection Division, <i>Compulsory professional development guide</i>, March 2011, p. 10, www.commerce.wa.gov.au/consumerprotection/PDF/Real_Estate_industry/CPD/CPD_program_guide.pdf</p> <p>For the required elective training, the average fee for an online course through Morton Learning is \$149. This is in line with other providers; for example, KAPLAN Professional offers an online course for \$145. An average of these two figures has been taken for this analysis</p> <p>Morton Learning, <i>Elective CPD Workshops</i>, www.mortonlearning.com.au/rebaapprovedcpd.htm</p> <p>KAPLAN Professional, <i>WA CPD-Elective</i>, www.kaplanprofessional.edu.au/Real_Estate/Western_Australia/ElectiveCPD</p>
Tas	\$ per course	\$245	<p>KAPLAN Professional, <i>TAS CPD</i>, www.kaplanprofessional.edu.au/Real_Estate/Tasmania/CPD</p> <p>The cost of an 8-hour CPD course is \$245</p>
ACT	\$ per course	\$199	<p>The ACT has advised that the cost in the ACT would be similar to that in NSW. Hence, NSW has been used as a proxy</p> <p>Real Estate Institute of NSW, <i>Skills to succeed and stay ahead</i>, reinsw.com.au/default.aspx?FolderID=33</p> <p>A 12-point CPD course costs \$199</p>

CPD = continuing professional development

Table 4.71: Time associated with continuous professional development requirements

Assumptions	Unit	Value	Source
Time associated with continuing professional development requirements			
NSW	Hours	7.5	<p>REINSW, <i>Skills to succeed and stay ahead</i>, www.reinsw.com.au/default.aspx?FolderID=33</p> <p>A course to meet CPD requirements can be completed in one day</p>
WA	Hours	10	<p>Department of Commerce Consumer Protection Division 2011, <i>Compulsory professional development guide</i>, p. 10, www.commerce.wa.gov.au/consumerprotection/PDF/Real_Estate_industry/CPD/CPD_program_guide.pdf</p> <p>CPD points accrue at 1 point per hour. Ten hours is required to meet 10-point CPD requirements</p>
Tas	Hours	8	<p>Property Agents Board, <i>Continuing education</i>, www.propertyagentsboard.com.au/continuingeducation.htm</p> <p>Property services professionals are required to undertake 8 hours of CPD per year</p>
ACT	Hours	7.5	<p>The ACT has advised that the cost in the ACT would be similar to that in NSW. Hence, NSW has been used as a proxy</p> <p>REINSW, <i>Skills to succeed and stay ahead</i>, www.reinsw.com.au/default.aspx?FolderID=33</p> <p>A course to meet CPD requirements can be completed in one day</p>

CPD = continuing professional development

4.3.1.17 Changes to frequency of processing for agent’s representatives in Victoria

Table 4.72: Average duration of employment for real estate employed

Assumptions	Unit	Value	Source
Average time that agent’s representatives remain with one employer			
All jurisdictions	Number of years	5.14	Australian Bureau of Statistics 2010, <i>Labour mobility</i> , February, catalogue 6209.0, Table 4, p. 16. Based on the duration spent with employer/business at February 2010 for the ‘rental, hiring and real estate services’. A weighted average has been taken based on the number of persons in each duration range, assuming the midpoint of the range, with 15 years assumed for 10+ years.

4.3.1.18 Change in qualification requirements

Unit time costs – all property services

Table 4.73: Time costs associated with undertaking a single unit

Assumption	Unit	Value	Source
Time impact per unit from changed training requirements			
All jurisdictions	Hours	31	Property Training Solutions, <i>Certificate IV in Property Services</i> , www.pts.edu.au/assets/Uploads/ CPP40307-Course-information-20120320.pdf Swinburne University, <i>Certificate IV in Property Services (Real Estate)</i> , http://courses.swinburne.edu.au/courses/Certificate-IV-in-Property-Services-(Real-Estate)-KCPP40307/local#aboutthecourse TAFE NSW, <i>Certificate IV in Property Services (real Estate) Course Brochure</i> Calculated by dividing the average number of hours (740) for a Certificate IV in Property Services (Real Estate) through Property Training Solutions, Swinburne and TAFE NSW by the number of units (24).

Real estate agents

Table 4.74: Fees associated with diploma training – real estate agents

Assumptions	Unit	Value	Source
Fees associated with diploma training			
SA	\$ per course	\$6,800	Real Estate Training College, <i>Diploma of Property Services (Agency Management) Flyer</i> , www.realestatetrainingcollege.com.au/pdfs/DiplomaPropertyServiceFlyer.pdf Course fees are \$2,700 if Certificate IV in Property Services (Real Estate) was undertaken after January 2009. The cost of the diploma is in addition to the cost of undertaking the prerequisite Certificate IV of \$4,100. The total cost to complete 26 unit Diploma therefore equals \$6,800
WA	\$ per course	\$5,595	Real Estate Institute of Western Australia, <i>Investment details – diploma</i> , http://reiwlearning.com.au/content/New_windows/Investment%20details%20-%20CPPDiploma-January%202012.pdf Average REIWA course fees for a diploma are \$5,595 (i.e. \$5,340 for members and \$5,850 for non-members). This value is the cost of a full 26 unit course
Tas	\$ per course	\$5,500	Real Estate Institute of Tasmania, <i>Diploma of Property Services</i> , www.reit.com.au/diploma-information The approximate cost of completing the Diploma via REIT is \$5,500 depending on delivery mode and electives. This value is the cost of a full 26 unit course

Assumptions	Unit	Value	Source
NT	\$ per course	\$5,040	<p>Real Estate Institute of Northern Territory, <i>Course information – Diploma of Property Services (Agency Management) course</i>, www.reint.com.au/pdf/Diploma-of-Property-Services-(Agency-Management)-Course.pdf</p> <p>Course fee of \$1,200 plus a registration fee of \$120. This is in addition to fees for the Certificate IV, which are \$3,600 plus a \$120 registration fee. The total amount to complete a Diploma therefore equals \$5,040</p>

Table 4.75: Fees associated with Certificate IV training – real estate agents

Assumptions	Unit	Value	Source
Fees associated with Certificate IV training			
SA	\$ per course	\$4,100	Real Estate Training College, <i>Sales</i> , www.realestatetrainingcollege.com.au/sales.asp Course fees for the Certificate IV in Property Services (Real Estate) are \$4,100. Alternatively, a traineeship may be undertaken reducing the cost to the trainee to \$1,500, with up to \$4,000 in incentives provided by government to employers
WA	\$ per course	\$3,910	Aspire Performance Training, <i>Property management traineeships</i> , www.aspirept.com.au/wp-content/uploads/2012/02/Property-Traineeships.pdf The Certificate IV in Property Services is offered only as a traineeship in WA. The cost of this program to trainees is unknown; however, employers may receive up to \$4,000 in incentives under some circumstances Given that the cost is not identified, the average of Certificate IV costs shown above in other jurisdictions has been applied (i.e. average of \$3,720 and \$4,100)
Tas	\$ per course	\$3,910	Real Estate Institute of Tasmania The Certificate IV in Property Services is offered only as a traineeship in Tasmania. Traineeship costs are unidentified, and employers may receive up to \$4,400 in incentives under certain circumstances Given that the cost is not identified, the average of Certificate IV costs in other jurisdictions has been applied (i.e. average of \$3,720 and \$4,100)
NT	\$ per course	\$3,720	Real Estate Institute of Northern Territory, <i>Course information – Certificate IV in Property Services (Real Estate) course</i> , www.reint.com.au/pdf/Certificate-IV-Property-Services-(Real-Estate)-Course.pdf Course fee of \$3,600 plus a \$120 registration fee

Table 4.76: Time savings (diploma versus Certificate IV)

Assumptions	Unit	Value	Source
Number of units no longer required for real estate agents who currently do a Diploma			
All jurisdictions	Number of units	2	A diploma consists of 26 units and a Certificate IV consists of 24 units. For example, see: <ul style="list-style-type: none"> Diploma: Real Estate Institute of Northern Territory, <i>Course information – Diploma of Property Services (Agency Management) course</i>, www.reint.com.au/pdf/Diploma-of-Property-Services-(Agency-Management)-Course.pdf Certificate IV: REIV, Licence Course, www.reiv.com.au/en/Training/Licence-Course.aspx

Property agent representatives

Table 4.77: Increased qualification requirements –agent representatives

Assumption	Unit	Value	Source
No. of additional units required –agent’s representatives			
NSW	# units	1	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Qualification requirements will increase from 4 to 5 units

Assumption	Unit	Value	Source
Vic	# units	2	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Qualification requirements will increase from 3 to 5 units

Table 4.78: Decreased qualification requirements –agent representatives

Assumption	Unit	Value	Source
No. of units no longer required –agent’s representatives			
Qld	# units	2	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Qualification requirements will be reduced from seven units to five units
SA	# units	19	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Qualification requirements will be reduced from a 24-unit Certificate IV to five units
WA	# units	2	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Qualification requirements will be reduced from seven units to five units
NT	# units	19	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS proposal for national licensing for property occupations, received May 2011 Qualification requirements will be reduced from a 24 unit Certificate IV to five units

Table 4.79: Unit fee costs –agent representatives

Assumption	Unit	Value	Source
Average cost per unit –agent’s representatives			
NSW	\$ per unit	\$129	REINSW, <i>Certificate of Registration course</i> , www.reinsw.com.au/Course-in-Property-Practice/default.aspx KAPLAN Professional, <i>NSW Certificate of Registration program</i> , www.kaplanprofessional.edu.au/Real_Estate/New_South_Wales/ CPP The average cost of a 4-unit course through REINSW and REIV is \$516. The average unit cost is calculated by dividing the total average course cost by the 4-unit requirement
Vic	\$ per unit	\$227	REIV, <i>Agent’s representative course</i> , www.reiv.com.au/Training/Agents-Representative-Course.aspx KAPLAN Professional, <i>VIC agent’s representative program</i> , www.kaplanprofessional.edu.au/Real_Estate/Victoria/AgentsRep The average cost of a 3-unit course through REIV and KAPLAN is \$680. The average unit cost is calculated by dividing the average course cost by the 3-unit requirement

Assumption	Unit	Value	Source
Qld	\$ per unit	\$87	REIQ, <i>Property manager</i> , http://institute.reiq.com/REIQ/Careers___Training/Real_estate_course_information/Property_Manager.aspx REIQ, <i>Salesperson</i> , http://institute.reiq.com/REIQ/Careers___Training/Real_estate_course_information/Salesperson.aspx KAPLAN Professional, <i>QLD Certificate of Registration program</i> , http://www.kaplanprofessional.edu.au/Real_Estate/Queensland/Registration_Program The average cost of a 7-unit course through REIQ and KAPLAN is \$607. The average unit cost is calculated by dividing the average course cost by the 7-unit requirement
SA	\$ per unit	\$171	Real Estate Training College, <i>Sales</i> , http://www.realestatetrainingcollege.com.au/sales.asp Average unit cost calculated by dividing the Certificate IV course cost (\$4,100) by the 24-unit requirement
WA	\$ per unit	\$115	REIWA Learning, <i>Sales representative registration course information and enrolment pack 2012</i> , http://reiwalearning.com.au/content/New_windows/2012_Sales_info_and_enrolment_pack_v3.pdf KAPLAN Professional, <i>WA registration program sales stream</i> , www.kaplanprofessional.edu.au/Real_Estate/Western_Australia/RegistrationSales The average cost of a 7-unit course through REIWA and KAPLAN is \$807. The average unit cost is calculated by dividing the average course cost by the 7-unit requirement
NT	\$ per unit	\$155	REINT, <i>REINT Course Information: Certificate IV in Property</i> , www.reint.com.au/pdf/Certificate-IV-Property-Services-(Real-Estate)-Course.pdf The cost of a 24-unit Certificate IV is \$3,720. The average unit cost is calculated by dividing the total Certificate IV course cost by the 24-unit requirement.

Strata managing agents

Table 4.80: Benefit from decreased qualification requirements – strata managing agent

Assumption	Unit	Value	Source
Fee saved as a result of changed requirements – Strata managing agents			
NT	\$ fee	\$1,320	Real Estate Institute of Northern Territory, <i>Course information – Diploma of Property Services (Agency management) course</i> , www.reint.com.au/pdf/Diploma-of-Property-Services-(Agency-Management)-Course.pdf Amount saved by not having to complete extra units for a Diploma-level qualification above a Certificate IV
Number of units saved as a result of changed requirements – Strata managing agents			
NT	No. of units	8	Real Estate Institute of Northern Territory, <i>Course information – Diploma of Property Services (Agency management) course</i> , www.reint.com.au/pdf/Diploma-of-Property-Services-(Agency-Management)-Course.pdf A diploma consists of 26 units, whereas the proposed Certificate IV for strata managing agents consists of 18 units.

Table 4.81: Cost of increased qualification requirements – strata managing agent

Assumption	Unit	Value	Source
Additional qualification costs as a result of changed requirements – Strata managing agents			
Vic	\$ fee	\$4,750	REIV, <i>Licence course</i> , www.reiv.com.au/en/Training/Licence-Course.aspx Strata managing agents will now require a Certificate IV-level qualification where no requirements currently exist. The average cost of undertaking a Certificate IV in Property Services through REIV is the average of costs for members (\$4,500) and non-members (\$5,000)
Number of additional qualification units required – Strata Managing Agents			
Vic	No. of units	18	REIV, <i>Licence Course</i> , www.reiv.com.au/en/Training/Licence-Course.aspx There are 24 units in the Certificate IV

Auctioneer**Table 4.82: Increased qualification requirement – auctioneer only**

Assumption	Unit	Value	Source
Additional units required – auctioneers only			
NT	# unit	3	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Auctioneers will be required to undertake three units where currently no requirement exists

Table 4.83: Decreased qualification requirement – auctioneer/agent

Assumption	Unit	Value	Source
No. of units no longer required – auctioneers/agent			
NSW	# unit	21	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between completing the current 24-unit Certificate IV Real Estate Agent licence prerequisite and completing the new 3-unit requirement
Vic	# unit	21	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between completing the current 24-unit Certificate IV Real Estate Agent licence and completing the new 3-unit requirement
Qld	# unit	2	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between the current 5-unit requirement and the new 3-unit requirement
WA	# unit	23	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between completing the current 26-unit Diploma Real Estate Agent licence prerequisite and completing the new 3-unit requirement

Assumption	Unit	Value	Source
SA	# unit	23	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between completing the current 26-unit Diploma Real Estate Agent licence prerequisite and completing the new 3-unit requirement
Tas	# unit	23	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between completing the current 26-unit Diploma Real Estate Agent licence prerequisite and completing the new 3-unit requirement
ACT	# unit	15	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between completing the current 18-unit Real Estate Agent licence prerequisite and completing the new 3-unit requirement

Table 4.84: Decreased qualification requirement – auctioneer/agent’s representative

Assumption	Unit	Value	Source
No. of units no longer required – auctioneer’s representatives			
NSW	# unit	1	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between completing the current 4-unit requirement for representatives and completing the new 3-unit requirement
Qld	# unit	4	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between the current 7-unit requirement for representatives and the new 3-unit requirement
WA	# unit	4	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between completing the current 7-unit requirement for representatives and completing the new 3-unit requirement
SA	# unit	15	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between completing the current 17 units required to be a representative and one additional to be an auctioneer (i.e. 18 in total) and completing the new 3-unit requirement
ACT	# unit	2	Unpublished data provided by COAG National Licensing Taskforce, Technical appendix to Consultation RIS Proposal for national licensing for property occupations, received May 2011 Calculated as the difference between completing the current 5-unit requirement for representatives and completing the new 3-unit requirement

Table 4.85: Average unit cost – auctioneers only

Assumption	Unit	Value	Source
Average unit cost – auctioneers			
NSW	\$ per unit	\$147	KAPLAN Professional, <i>NSW auctioneer's accreditation</i> , www.kaplanprofessional.edu.au/Real_Estate/New_South_Wales/Auctioneer Average unit cost calculated as auctioneer course cost (\$295) divided by two units required
Vic	\$ per unit	\$227	REIV, <i>Agent's representative course</i> , www.reiv.com.au/Training/Agents-Representative-Course.aspx KAPLAN Professional, <i>VIC agent's representative program</i> , www.kaplanprofessional.edu.au/Real_Estate/Victoria/AgentsRep Average unit cost calculated by dividing the average REIV and KAPLAN course cost (\$680) by the 3-unit requirement
Qld	\$ per unit	\$87	REIQ, <i>Property manager</i> , http://institute.reiq.com/REIQ/Careers___Training/Real_estate_course_information/Property_Manager.aspx REIQ, <i>Salesperson</i> , http://institute.reiq.com/REIQ/Careers___Training/Real_estate_course_information/Salesperson.aspx KAPLAN Professional, <i>QLD Certificate of Registration Program</i> , http://www.kaplanprofessional.edu.au/Real_Estate/Queensland/Registration_Program Average unit cost calculated by dividing the average REIQ and KAPLAN course cost (\$607) by 7-unit requirement
SA	\$ per unit	\$171	Real Estate Training College, <i>Sale</i> , www.realestatetrainingcollege.com.au/sales.asp Average unit cost calculated by dividing the Certificate IV course cost (\$4,100) by the 24-unit requirement
WA	\$ per unit	\$215	Real Estate Institute of Western Australia, <i>Investment details – diploma</i> , http://reiwlearning.com.au/content/New_windows/Investment%20details%20-%20CPPDiploma-January%202012.pdf Average unit cost calculated by dividing the total Diploma course fee (\$5,595) by the 26 units required
Tas	\$ per unit	\$163	Average unit cost calculated as the average unit cost for other jurisdictions given that Tasmania's real estate training is only offered through traineeships
ACT	\$ per unit	\$139	KAPLAN Professional, <i>ACT Certificate of Registration program</i> , www.kaplanprofessional.edu.au/Real_Estate/Australian_Capital_Territory/Registration_Program REINSW, <i>REIACT Certificate of Registration course</i> , http://members.reinsw.com.au/Core/Events/eventdetails.aspx?iKey=ACOR120521&TemplateType=A The average unit cost calculated by dividing the average course cost (\$697) from both REINSW and KAPLAN by 5 units undertaken
NT	\$ per unit	\$155	REINT, <i>REINT Course information: Certificate IV in Property</i> , www.reint.com.au/pdf/Certificate-IV-Property-Services-(Reral-Estate)-Course.pdf Average unit cost calculated by dividing the total Certificate IV course cost (\$3,720) by 24-unit requirement.

Real estate agents that also undertake business agency work

Table 4.86: Increased qualification requirement

Assumption	Unit	Value	Source
Additional units required			
Vic	# unit	1	Information provided by the COAG National Licensing Taskforce
Qld	# unit	1	Information provided by the COAG National Licensing Taskforce
SA	# unit	1	Information provided by the COAG National Licensing Taskforce
Tas	# unit	1	Information provided by the COAG National Licensing Taskforce
Proportion of licensees affected			
% of real estate agents that also undertake business agency work	%	2.5%	Information provided by the COAG National Licensing Taskforce. The percentage is based on a NSW proxy of data provided in 2011 (377 licensees undertake both scopes of work divided by 14,939 real estate licensees at the time)
Average unit cost			
Vic	\$ per unit	\$227	REIV, <i>Agent's representative course</i> , www.reiv.com.au/Training/Agents-Representative-Course.aspx KAPLAN Professional, <i>VIC agent's representative program</i> , www.kaplanprofessional.edu.au/Real_Estate/Victoria/AgentsRep Average unit cost calculated by dividing the average REIV and KAPLAN course cost (\$680) by the 3-unit requirement
Qld	\$ per unit	\$87	REIQ, <i>Property manager</i> , http://institute.reiq.com/REIQ/Careers___Training/Real_estate_course_information/Property_Manager.aspx REIQ, <i>Salesperson</i> , http://institute.reiq.com/REIQ/Careers___Training/Real_estate_course_information/Salesperson.aspx KAPLAN Professional, <i>QLD Certificate of Registration program</i> , www.kaplanprofessional.edu.au/Real_Estate/Queensland/Registration_Program Average unit cost calculated by dividing the average REIQ and KAPLAN course cost (\$607) by 7-unit requirement
SA	\$ per unit	\$171	Real Estate Training College, <i>Sales</i> , www.realestatetrainingcollege.com.au/sales.asp Average unit cost calculated by dividing the Certificate IV course cost (\$4,100) by the 24-unit requirement
Tas	\$ per unit	\$161.67	Average unit cost calculated as the average unit cost for Vic, Qld and SA given that Tasmania's real estate training is only offered through traineeships

4.3.1.19 Removal of requirement to advertise the intention to apply for a licence

Table 4.87: Removal of requirement to advertise the intention to apply for a licence

Assumptions	Unit	Value	Source
Removal of requirement to advertise the intention to apply for licence			
WA	\$ per licensee	\$65.50	Department of Commerce, <i>Licensing fees</i> , www.commerce.wa.gov.au/consumerProtection/Content/Licences/Real_Estate_Industry/Licensing_fees.html#reba Removal of the advertising fee component of licence application fees (\$65.50)

Assumptions	Unit	Value	Source
Tas	\$ per licensee	\$150	Removal of requirement to advertise intent to apply for a real estate licence in the daily newspaper www.propertyagentsboard.com.au/forms2/notice-of-intention-property-consultant.pdf Estimated price for 10-line advertisement in the <i>Mercury</i> is \$150.00
ACT	\$ per licensee	\$61.40	Removal of requirement to advertise intent to apply for a real estate licence in the daily newspaper (<i>Canberra Times</i> recommended) www.ors.act.gov.au/resources/attachments/Agents_Practice_Manual.pdf Casual classified rate per single column line is \$6.14 GST inclusive. It is assumed that there are 10 lines per advertisement
NT	\$ per licensee	\$44	Removal of requirement to advertise intent to apply for a real estate licence in the daily newspaper http://notes.nt.gov.au/dcm/legislat/legislat.nsf/linkreference/AGENTS%20LICENSING%20Regulations?opendocument Casual classified rate per single column line in the <i>NT News</i> is \$4.40 GST inclusive. It is assumed there are 10 lines per advertisement

4.3.1.20 Changes to personal probity requirements of non-contractors

Table 4.88: Changes to personal probity for licensees (excluding agent representatives)

Assumptions	Unit	Value	Source
Changes to personal probity for non-contractors			
NSW	Minutes per licensee	10	Fit and proper checks were identified as a requirement for real estate agents in NSW by the COAG National Licensing Taskforce when it undertook a mapping exercise that identified the differences between state and territory licensing requirements and the requirements proposed under national licensing It is assumed that 10 minutes would be required to consider, disclose or declare any relevant personal probity information. It is expected that some individuals will take less than 10 minutes (i.e. if they do not have anything to disclose), and some may take longer (i.e. if they have many items to disclose). This variation is accounted for by using an average figure
Vic	Minutes per licensee	10	Fit and proper checks were identified as a requirement for real estate agents in Vic by the COAG National Licensing Taskforce when it undertook a mapping exercise that identified the differences between state and territory licensing requirements and the requirements proposed under national licensing It is assumed that 10 minutes would be required to consider, disclose or declare any relevant personal probity information. It is expected that some individuals will take less than 10 minutes (i.e. if they do not have anything to disclose), and some may take longer (i.e. if they have many items to disclose). This variation is accounted for by using an average figure

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Assumptions	Unit	Value	Source
SA	Minutes per licensee	10	<p>Fit and proper checks were identified as a requirement for real estate agents in SA by the COAG National Licensing Taskforce when it undertook a mapping exercise that identified the differences between state and territory licensing requirements and the requirements proposed under national licensing</p> <p>It is assumed that 10 minutes would be required to consider, disclose or declare any relevant personal probity information. It is expected that some individuals will take less than 10 minutes (i.e. if they do not have anything to disclose), and some may take longer (i.e. if they have many items to disclose). This variation is accounted for by using an average figure</p>
WA	Minutes per licensee	20	<p>Removal of requirement to provide details of two referees – It is assumed that 20 minutes will be required for an applicant to obtain a passport photo and two written references</p> <p>(PricewaterhouseCoopers, <i>Private security regulations 2005: Regulatory Impact Statement</i>, April 2005, p. 29). We have assumed that two-thirds of this cost is attributable to obtaining 2 written references (i.e. 20 minutes)</p> <p>www.commerce.wa.gov.au/consumerProtection/PDF/Real_Estate_industry/For_Agents/Licensing_and_regist/Licensing_Fact_Sheet.pdf</p>
Tas	Minutes per licensee	10	<p>Fit and proper checks were identified as a requirement for real estate agents in Tas by the COAG National Licensing Taskforce when it undertook a mapping exercise that identified the differences between state and territory licensing requirements and the requirements proposed under national licensing</p> <p>It is assumed that 10 minutes would be required to consider, disclose or declare any relevant personal probity information. It is expected that some individuals will take less than 10 minutes (i.e. if they do not have anything to disclose), and some may take longer (i.e. if they have many items to disclose). This variation is accounted for by using an average figure</p>
ACT	Minutes per licensee	10	<p>Fit and proper checks were identified as a requirement for real estate agents in the ACT by the COAG National Licensing Taskforce when it undertook a mapping exercise that identified the differences between state and territory licensing requirements and the requirements proposed under national licensing</p> <p>It is assumed that 10 minutes would be required to consider, disclose or declare any relevant personal probity information. It is expected that some individuals will take less than 10 minutes (i.e. if they do not have anything to disclose), and some may take longer (i.e. if they have many items to disclose). This variation is accounted for by using an average figure</p>
NT	Minutes per licensee	10	<p>Fit and proper checks were identified as a requirement for real estate agents in the NT by the COAG National Licensing Taskforce when it undertook a mapping exercise that identified the differences between state and territory licensing requirements and the requirements proposed under national licensing</p> <p>It is assumed that 10 minutes would be required to consider, disclose or declare any relevant personal probity information. It is expected that some individuals will take less than 10 minutes (i.e. if they do not have anything to disclose), and some may take longer (i.e. if they have many items to disclose). This variation is accounted for by using an average figure</p>

4.3.1.21 Government communications costs

It is assumed that regulators will incur communications costs associated with the new national licensing framework. Consumer Affairs Victoria recently undertook a communications exercise with state-based changes to real estate regulations. This communications exercise cost between \$300,000 and \$350,000, based on 22,000 licences and included:

- direct communications (up to two letters)
- metropolitan and regional meetings with licensees (six to 10 meetings)
- website content and social media
- temporary call centre staffing
- public information campaign
- industry and public campaign management.

In the absence of other information, it is assumed that similar communication costs will be faced by the larger jurisdictions (New South Wales, Victoria, Queensland and Western Australia) and half of this cost will be incurred by the smaller jurisdictions (South Australia, Tasmania, the Australian Capital Territory and the Northern Territory).

Table 4.89: One-off communications costs

Assumptions	Unit	Value	Source
One off communications costs			
NSW	\$ per jurisdiction	\$325,000	Assumption based on unpublished advice provided by Consumer Affairs Victoria, March 2012
Vic	\$ per jurisdiction	\$325,000	Assumption based on unpublished advice provided by Consumer Affairs Victoria, March 2012
Qld	\$ per jurisdiction	\$325,000	Assumption based on unpublished advice provided by Consumer Affairs Victoria, March 2012
WA	\$ per jurisdiction	\$325,000	Assumption based on unpublished advice provided by Consumer Affairs Victoria
SA	\$ per jurisdiction	\$162,500	Assumption based on unpublished advice provided by Consumer Affairs Victoria
Tas	\$ per jurisdiction	\$162,500	Assumption based on unpublished advice provided by Consumer Affairs Victoria
ACT	\$ per jurisdiction	\$162,500	Assumption based on unpublished advice provided by Consumer Affairs Victoria
NT	\$ per jurisdiction	\$162,500	Assumption based on unpublished advice provided by Consumer Affairs Victoria

4.3.1.22 Government operating costs associated with the licensing authority

The National Occupational Licensing Authority Budget 2012–2015 as agreed by the Ministerial Council for Federal Financial Relations on 7 April 2011 reflects the costs to government of establishing the licensing authority. These costs were allocated to each jurisdiction (based on agreed percentages).

The costs to government of establishing the licensing authority will be apportioned to each occupation under national licensing (including the first and second tranche of occupations and any

future harmonisation of conduct requirements). It is assumed that the first tranche of occupations (plumbing and gasfitters, property, electrical, and refrigeration and air conditioning) will be apportioned 50 per cent of these costs. The remaining 50 per cent will be apportioned to the second tranche of occupations; 30 per cent will go to building occupations, valuers and conveyancers and 20 per cent to future harmonisation of conduct requirement.

In the absence of any other information, it is assumed that there will be three years of transition costs (based on the National Occupational Licensing Authority Budget 2012–15) and then ongoing costs associated with the licensing authority. It is assumed that the fourth-year costs represented in the licensing authority’s budget are representative of the ongoing costs per annum.

Assumptions relating to the expected costs of the licensing authority, as agreed by the Ministerial Council for Federal Financial Relations include:

- 34 (full-time equivalent) staff (2 APS3, 1 APS5, 14 APS6, 11 EL1, 5 EL2, 1 SES2)
- employee benefits including superannuation of 15.4 per cent and long service leave of 2.6 per cent
- an on-cost multiplier of 1.73
- a one-off establishment cost (incurred in the first year of implementation only) of \$3.05 million
- national licensing register costs associated with the implementation of the licensing authority
- meeting costs.

Table 4.90: Government operating costs associated with the licensing authority

Assumption	Unit	Value	Source
Total costs to government^a (annual overall licensing authority budget)			
Total cost 2011–12	\$ per annum	\$6,633,724	The cost in 2011–12 is assumed to be a transition cost Revised draft National Occupational Licensing Authority Budget 2011–12 and 2012–13 as at 3 May 2012 Unpublished, provided by COAG National Licensing Taskforce, 8 May 2012 Based on the revised budget value for 2011–12
Total cost 2012–13	\$ per annum	\$10,752,523	This includes transition costs of \$2,733,542 and ongoing costs of \$8,018,981 Based on estimates in the revised draft National Occupational Licensing Authority Budget 2011–12 and 2012–13 as at 3 May 2012 (unpublished, provided by COAG National Licensing Taskforce, 8 May 2012) and the National Occupational Licensing Authority Budget 2012–15 as agreed by the Ministerial Council for Federal Financial Relations on 7 April 2011 (unpublished, provided by COAG National Licensing Taskforce, 13 March 2012) Based on the estimated budget for 2013–14 in the National Occupational Licensing Authority Budget 2012–15 (\$8,412,485), with the addition of the National Occupational Licensing Authority establishment cost estimated in the revised draft National Occupational Licensing Authority Budget 2011–12 and 2012–13 (\$2,340,038)

Assumption	Unit	Value	Source
Total cost 2013–14	\$ per annum	\$8,031,010	This includes transition costs of \$12,029 and ongoing costs of \$8,018,98 National Occupational Licensing Authority Budget 2012–15 as agreed by the Ministerial Council for Federal Financial Relations on 7 April 2011 Unpublished, provided by COAG National Licensing Taskforce, 13 March 2012 Based on the budget for 2013–14
Ongoing costs per annum (based on total costs in 2014–15)	\$ per annum	\$8,018,981	National Occupational Licensing Authority Budget 2012–15 as agreed by the Ministerial Council for Federal Financial Relations on 7 April 2011 Unpublished, provided by COAG National Licensing Taskforce, 13 March 2012 Based on the budget for 2014–15
Assumed split of government costs by stages of national licensing			
Stage 1	%	50%	Assumption based on discussions with COAG National Licensing Taskforce Stage 1 includes first tranche of occupations – property, plumbing, electrical, and refrigeration and air-conditioning mechanics
Stage 2	%	30%	Assumption based on discussions with COAG National Licensing Taskforce Stage 2 includes second tranche of occupations – building occupations
Stage 3	%	20%	Assumption based on discussions with COAG National Licensing Taskforce Stage 3 includes changes to conduct requirements
Assumed split by occupation (for licensing authority costs to government)			
Property	%	28%	Assumption based on advice from COAG National Licensing Taskforce
Electrical	%	35%	
Plumbing	%	35%	
Refrigeration and Air-conditioning	%	2%	

a Note that the model calculations strip out the indexation assumptions beyond 2012 as results are presented in 2012 dollars (real).

Table 4.91: Proportion of costs attributable to each jurisdiction

Assumption	Unit	Value	Source
Proportion of National Occupational Licensing Authority operating costs and the IT systems implementation costs attributable to each jurisdiction			
NSW	%	32.77%	Unpublished data provided by COAG National Licensing Taskforce, <i>National Occupational Licensing Authority Budget 2011–12 to 2014–15</i>
Vic	%	25.13%	
Qld	%	20.48%	
WA	%	10.55%	

Assumption	Unit	Value	Source
SA	%	7.71%	
Tas	%	2.35%	
ACT	%	0%	
NT	%	1.03%	

4.3.1.23 National licensing register costs

It is estimated that each jurisdiction will incur implementation costs associated with the establishment of the national licensing register.

The estimated costs associated with the modification, upgrade or purchase of jurisdictional administration systems incurred by each jurisdiction in order for it to provide the required data for the national licensing register as well as to accept the national licence number was initially estimated at \$5 million to \$10 million.

Based on advice received from the COAG National Licensing Taskforce, these estimates were reduced to ensure that they only captured the jurisdiction-based implementation costs associated with establishing the national licensing register.

To ensure that the costs were not overestimated, they were reduced by 50 per cent (that is, \$2.5 million to \$5 million), with the lower bound assumed for small jurisdictions. These costs have been apportioned to each occupation under national licensing. For example, the property occupations are apportioned 28 per cent of the costs faced in Victoria (28 per cent of \$5 million = \$1.4 million).

New South Wales has suggested that its estimated costs will be \$2 million due to the new system being based on the NSW Government Licensing System.

Table 4.92: Implementation cost of the national licensing register

Assumption	Unit	Value	Source
Implementation cost of the national licensing register			
NSW	\$ per jurisdiction	\$2 million	Assumption based on unpublished data provided by COAG National Licensing Taskforce, <i>COAG NLS Taskforce analysis for the estimated costs to implement the National Licensing Register</i> – July 2011 NSW estimate provided by NSW regulator in February 2012
Vic	\$ per jurisdiction	\$5 million	
Qld	\$ per jurisdiction	\$5 million	
WA	\$ per jurisdiction	\$5 million	
SA	\$ per jurisdiction	\$3.5 million	
Tas	\$ per jurisdiction	\$3.5 million	
ACT	\$ per jurisdiction	\$2.5 million	
NT	\$ per jurisdiction	\$2.5 million	

Assumption	Unit	Value	Source
Assumed split of government costs by stages of national licensing register			
Stage 1	%	50%	Assumption based on discussions with COAG National Licensing Taskforce Stage 1 includes first tranche of occupations – property, plumbing, electrical, and refrigeration and air-conditioning mechanics
Stage 2	%	30%	Assumption based on discussions with COAG National Licensing Taskforce Stage 2 includes the second tranche of occupations – building occupations
Stage 3	%	20%	Assumption based on discussions with COAG National Licensing Taskforce Stage 3 includes changes to conduct requirements
Assumed split by occupation			
Property	%	28%	Assumption based on advice from COAG National Licensing Taskforce
Electrical	%	35%	
Plumbing and gasfitting	%	35%	
Refrigeration and air conditioning	%	2%	

5 Implementation

5.1 Implementation of national licensing

Administrative responsibility for national licensing would be undertaken by the National Occupational Licensing Authority (licensing authority), and it would be established in Sydney. The licensing authority is a statutory authority, governed by a board of up to 10 members, including an independent chair, and reporting to a ministerial council. The role of the licensing authority is to develop consistent national policy for obtaining a licence and to administer the national system. In doing this, it must consult with stakeholders in relevant occupational areas and establish occupational licence advisory committees. During the implementation phase, the licensing authority will regularly consult with a jurisdictional reference group on issues that arise regarding the implementation of the national system and on progress with the development of licence policy.

Under the *Occupational Licensing National Law Act 2010* (National Law), the licensing authority would delegate its responsibility for the operation of licensing services to nominated regulators in each state or territory that has adopted the National Law. Service agreements will be used to establish consistent licence requirements and service delivery standards for national licensing arrangements across jurisdictions. Licence holders and applicants will therefore continue to interact with regulatory offices in their home jurisdiction in most instances, which will help minimise the costs of implementing national licensing.

National licensing will not encompass the standards and behaviour (conduct) of licensees once they have obtained a licence. These, together with compliance and enforcement, will remain the responsibility of states and territories. However, the National Law will provide for certain grounds for disciplinary action to be taken and for the full range of disciplinary action that can occur. Breaches of jurisdictional conduct requirements may also have an outcome on the licence. All disciplinary outcomes that affect a licence will be recorded on the national licensing register.

5.2 Transitional arrangements

5.2.1 Deeming of current licence holders

The Intergovernmental Agreement for a National Licensing System for Specified Occupations provides for deeming arrangements for current licence holders to transition to the national licensing scheme. Any licensee who is deemed into the scheme is considered to fulfil the skills-based requirements needed for continuing eligibility while they continue to hold that licence. Current jurisdictional licensees will be transitioned into the national licensing system based on the following deeming principles:

- ‘No disadvantage’ –all current licence holders would be able to do tomorrow, under national licensing, what they are able to do today. The deeming process will authorise a licensee to do a similar scope of work under national licensing to that authorised under their current jurisdictional licence.
- Current licensees would not be required to undertake any additional training or testing to be eligible for the relevant national licence category.
- A jurisdiction will not be required to adopt a national licence category that is not currently regulated by that jurisdiction when national licensing commences, in accordance with clause 4.2(f) of the intergovernmental agreement.
- Some work currently requiring a licence would not be regulated work under national licensing and a licence will no longer be required for that work.

- Adoption of a ‘best fit’ approach – some licences will not have a direct equivalent and a current category may map to more than one category or a category plus an endorsement. Alternatively, some categories may have a scope of work that is significantly less than that proposed for a national licence and conditions or restrictions may be applied to achieve a best fit. It is necessary to apply restrictions and conditions to ensure licensees are not transitioned to licences that would allow them to undertake a wider scope of work than their current licences allow, as this could pose an unacceptable safety risk to themselves and the community.

Each jurisdiction has undertaken a process to map straightforward, like-to-like equivalences of jurisdictional licences to the relevant national licence category or categories. This mapping, which covers some 80 per cent of current jurisdictional licences, will be incorporated into the jurisdictional transitional legislation.

The exception to this is for those licensees that have conditions or directions applied as a result of disciplinary action; in these cases, the licence will be transitioned ‘as is’.

Following is information on the deeming of jurisdictional licences under specific circumstances.

5.2.2 Administrative transactions that were initiated before national licensing begins

All applications for the issue, renewal or restoration of a licence lodged before the national licensing system commencement date will continue to be assessed under the relevant jurisdictional licensing legislation in place immediately prior to the commencement of the national licensing. The licence would then be transitioned to a national licence as outlined in 5.2.1.

5.2.3 Disciplinary and court processes and actions that were initiated before national licensing begins

All applications lodged in relation to disciplinary and court processes and actions, including internal reviews, before the national licensing commencement date will continue to be assessed under the relevant jurisdictional licensing legislation in place immediately prior to the commencement of national licensing. The decision will take effect as though it was made under the National Law. If a decision is made under the old law for the disciplinary action and an appeal within the given appeal period has not been made at the time when national licensing commences, the right to appeal will continue under the old law.

5.2.4 Transitioning suspended licensees

All licensees suspended under relevant jurisdictional licensing legislation will continue to remain suspended until the suspension expires and during the period of suspension will not be able to operate in any jurisdiction.

5.2.5 Transitioning disqualified licensees and cancelled licences

A person who currently has a cancelled licence, as a result of a disciplinary action, for a specific occupation and licence type in any jurisdiction but a valid licence in another jurisdiction, for the same category of licence, would not be transitioned to a national licensing system licence if the period of the cancellation has not expired or was made in the last two years. Any valid licence, held for the same category of licence, in a secondary jurisdiction would also be considered disqualified or cancelled and the person would not be able to operate in any jurisdiction. Under the new law this person would be treated as an excluded person nationally until the cancellation or disqualification period has expired. It is recognised that this may be taking away a person’s right; however, this is a

fundamental part of the design of the system which is aimed at protecting the public safety and the consumer.

5.2.6 Eligibility for those who initiated training before national licensing system begins

An applicant who completes a qualification or course that was required immediately before the commencement of the National Law, would have met the skill based eligibility requirements provided that, immediately before the commencement date the applicant was enrolled in the course or program for the issue of a jurisdictional licence.

5.2.7 Eligibility for those who completed training before national licensing system begins

An applicant who completes a qualification or course that was required in a jurisdiction immediately before the commencement of the National Law for a jurisdictional licence will be deemed to have met the skills-based eligibility requirement for a national licence for the period of three years from commencement of national licensing for that occupation.

A person holding a qualification not recognised under national licensing should seek advice from the licensing regulator in their jurisdiction about the possibility of obtaining a national licence. A person moving to a jurisdiction where a national licence will be required to undertake the type of work they do, and who does not hold a qualification, will need to contact the licensing authority for details on how to apply for the licence. Options will include seeking recognition of prior learning from a registered training organisation.

Question: In transitioning to national licensing, some qualifications that currently qualify applicants for a jurisdictional licence will not qualify an applicant for the equivalent national licence.

Do you agree that these qualifications, if started before the commencement of national licensing, should be deemed to satisfy the skills based eligibility requirements for the equivalent national licence (as proposed under national licensing)?

Further to the question above, it is proposed that an individual who completes such a qualification immediately before the commencement of national licensing will have three years to apply for a national licence. After this three year period, measured from the commencement of national licensing, these 'superseded' qualifications will no longer be deemed to satisfy the skills based eligibility requirements for a national licence. Do you agree with this proposal?

Note: these transitional arrangements only apply to existing jurisdictional licences that have an equivalent licence.

5.2.8 Restoration of a licence that has lapsed

A licence that has lapsed within the restoration period provided in current jurisdictional legislation preceding the commencement of the national licensing system will be restored under the old law and deemed to an equivalent licence under the National Law.

The advisory committee proposed that the grace time period for acceptance of lapsed licences should be up to three years (without any further testing). Licensees whose licences have lapsed for a period of longer than three years will be required to undertake an assessment of their skills, such as recognition of prior learning from a registered training organisation.

Licensees who have been deemed under national licensing will need to reapply for a national licence, which would require the applicant to satisfy the national licensing eligibility criteria, which in some instances may be higher than their existing qualifications.

Question: If your licence lapsed before the commencement of national licensing (meaning you would not have been transitioned to a national licence), the proposed grace period for applying for an equivalent national licence will be the same as the current restoration arrangements in the jurisdiction that issued your licence (if any).

Do you agree with this proposal?

Note: After the commencement of national licensing, the proposed grace period to restore a lapsed licence is three months. A licensee can only restore their licence if the restoration period has not expired.

5.2.9 Currently in training for a restricted licence

A person in training for a restricted licence that would have been granted under current jurisdictional legislation, but that will not exist under national licensing, will be eligible to apply, for a licence with limitations on the scope of work that make it equivalent to the former jurisdictional restricted licence for a period of up to 12 months following completion of their training.

Question: Certain restricted licence categories will be discontinued under national licensing. Do you agree that a grace period of 12 months should be provided in which an individual that qualified for a discontinued licence will be deemed eligible for an equivalent national licence (with limitations on the scope of work)?

Note: The grace period will be measured from completion of the outdated restricted licence qualification. The qualification must have been commenced before the start of national licensing.

5.3 Notification

Prior to the commencement of national licensing for property occupations, licensees will be advised by letter of the national licence they will hold following commencement. Licensees will have the opportunity to discuss any concerns they may have with their proposed national licence. It should be noted that current state and territory licences will be considered national licences when licensing commences for that occupation.

5.3.1 Issuing of new national licence documentation

Under the option for national licensing, it is proposed that national licences will be provided to licensees at the time of renewal (rather than on commencement of national licensing). However, some jurisdictions may have the capacity to issue new licence documentation to all licensees on the commencement date of national licensing. Licensees will be advised by their jurisdictional regulator as to when a national licence document will be made available.

Most licence holders will retain their existing licence document until its expiry date. On renewal, a national licence document would then be issued.. It is proposed that licensees who have had changes to their licence category will be written to prior to the commencement of national licensing to confirm their licence category. Licensees would be issued with a national licence document at the commencement of national licensing. It is anticipated that licensees who wish to obtain a national licence before the renewal date should be able to do so; however, this may be subject to the capacity of each jurisdiction to provide this service.

A new national licence numbering scheme is proposed where a unique national licence number would be assigned to each licensee that transitions to national licensing and to each new licensee after the system commences. The national system would identify each entity once only in the

licensing database. It is also proposed that an individual, partnership or company should be able to hold multiple occupational licence categories under this single national licence number.

The proposed national licensing register would have the capacity to search for a licensee's new national licence number and all previously generated licence numbers.

There will be a five-year transitional period to national licensing, by which time all licensees would be required to use their national licence number for advertising, marketing and identification purposes, and a licensee's previous state or territory licence number, cards and certificates could no longer be used.

5.3.1.1 Format of licence documentation

A combination of cards and certificates are currently issued by the jurisdictions. It was observed that the quality of cards and certificates varies greatly between jurisdictions. Commonly for property licensees only a certificate is produced. Cards for the other occupations vary greatly, ranging from laminated cardboard to high-quality cards produced to a similar standard to a driver's licence with photo identification.

The National Law allows for an approved form of a national licence. One option proposed that the licensing authority or its delegates (existing jurisdictional regulators) would issue:

- a licence card (similar to a driver's licence in size and content) for identification purposes when engaging with members of the public, employers or regulators
- a licence certificate to corporate entities.

Currently most jurisdictions, for some of the occupations, can issue a licence card with a photo. For example, Victoria, Queensland and the Northern Territory issue licence cards with photos for the plumbing occupations only. South Australia and Tasmania issue them to all the trade occupations. However, under national licensing the licensing authority would set the minimum requirements for standard national licence documents and jurisdictions would be required to issue national licences that comply with the requirements.

Note that the inclusion of photo identification on an individual's licence card would most probably increase the cost of a licence where it is not currently provided by state-based regulators. It is possible that the cost of a photo licence could be minimised with the economy of scale of all participating jurisdictions.

5.4 Communication strategy for national licensing

Consultation about national licensing has been ongoing with a range of stakeholders including state and territory governments, industry, employer and employee representatives and internal working groups.

As with any change to regulations, a communication awareness campaign will need to be undertaken to ensure licensees, consumers and other stakeholder are informed of changes that may affect them once the new system is implemented.

There should be two levels of an awareness campaign for national licensing; one at a jurisdictional level and one at a national level.

A jurisdictional campaign could include the following activities:

- direct communications (letters/emails)
- metropolitan and regional meetings with licensees
- website content and social media
- temporary call centre staffing

- public information campaign
- industry and public campaign management.

An estimate drawing on a Victorian campaign of a similar scale to that suggested above is approximately \$300,000 to \$350,000, and is based on approximately 22,000 licensees. The impact analysis contained in this Consultation Regulation Impact Statement includes a qualitative estimate of the communication costs for governments during the transition period.

At a national level, the licensing authority would assist with the communication process by ensuring consistency of messaging through its website (www.nola.gov.au), media releases and other media and social avenues. The licensing authority's chair and board could be expected to consult with:

- ministers and governments
- business and industries
- peak bodies, which would include employee and employer associations.

5.5 Review

The Ministerial Council will initiate an independent public review of the operation of the national licensing system (including the legislation establishing the system), in accordance with the guidelines established by the Office of Best Practice Regulation, not earlier than five years from the commencement of the national licensing system and every 10 years thereafter. The Ministerial Council will set the terms of reference for the review.

Question: Are there any other issues that should be considered in developing a national licensing system?

Attachment A – Submission process

The COAG National Licensing Steering Committee is seeking input from stakeholders and the wider public on the proposals outlined in this Consultation RIS. The Consultation RIS is subject to a minimum six-week consultation period, and the steering committee welcomes feedback on the proposed options for implementation and any other aspect of the document.

The closing date for submissions to this Consultation RIS is **21 September 2012**. The closing date may be extended; please check the [national licensing website](http://www.nola.gov.au) (www.nola.gov.au) for information.

How to provide a submission

Online survey feedback

An [online submission survey is available](https://www.surveymonkey.com/s/National_Licensing_Property_RIS_Feedback) through the following link https://www.surveymonkey.com/s/National_Licensing_Property_RIS_Feedback and this is the preferred option for providing submissions. The survey takes the user through a series of questions that have been drawn from the Consultation RIS. Each question includes a page reference to help direct the user to the relevant discussion in the RIS. The feedback received through this process will assist in shaping a national occupational licensing schema for the electrical occupations. Your time in providing a response is appreciated.

If you are unable to use the on-line submission survey, a paper based submission will be accepted using the template provided on the [national licensing website](http://www.nola.gov.au). Paper submissions can be lodged as follows:

By email: to [the COAG Skills Taskforce](mailto:info@coagskillstaskforce.gov.au) (info@coagskillstaskforce.gov.au).

By mail:

COAG National Licensing Taskforce
Department of Industry, Innovation, Science, Research and Tertiary Education
GPO Box 9839
Level 4, 16 Mort St
Canberra City ACT 2600

Stakeholders should indicate if their submission is confidential and/or clearly indicate sections that may contain confidential or sensitive information that is not for publication. With this exception, all submissions will be published on the website.

Attachment B – Key changes to existing arrangements

The Table B.1 compares the current state and territory licensing eligibility arrangements and the proposed national licensing eligibility arrangements. A tick indicates a licensed activity, a blank cell means not required or licensed and a shaded cell denotes a licence category.

Table B.1: Key changes to existing arrangements

Licence category and eligibility requirements <i>Licence categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
Stock and station agent licence	✓						✓			A stock and station agent will operate under a real estate agent's licence. The livestock component will not be included in national licensing.
Stock and station agent salesperson registration							✓			A stock and station salesperson will operate under an agent's representative's registration. The livestock component will not be included in national licensing.
Buyer's agent licence	✓									This work will form part of a real estate agent's work.
Property managing licence	✓	✓				✓				This work will form part of a real estate agent's and agent's representative's work.
Pastoral house licences			✓							A pastoral house agent will operate under a real estate agent's licence and an auctioneer's licence. The livestock component will not be included under national licensing.
Property developer's licence			✓							A licence will not be required to perform this work.

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Licence category and eligibility requirements <i>Licence categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
Resident letting agent			✓							This work will form part of a real estate agent's and agent's representative's work. However, a licence will not be required for letting periods less than 90 days.
Corporate resident letting agent			✓							A licence will not be required to perform this work.
Real estate agent (affordable housing)			✓							This may be covered by an exemption.
Trainee auctioneer registration certificate			✓							Auctions can only be performed by a licensed auctioneer.
Certificate of registration as a registered strata manager	✓									A licence will not be required for the employee of a strata managing agent.
Certificate of registration as a registered on-site residential property manager	✓									A licence will not be required to perform this work.
Body corporate manager's restricted licence								✓		A licence may not be required to perform this work.
Non-residential property agency work (property that is primarily used for industrial, commercial or primary production)	✓	✓	✓	✓	✓	✓	✓	✓		A licence will not be required to perform this work.

Licence category and eligibility requirements <i>License categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
Purchase, sale and auctioning of livestock	✓		✓1	✓1		✓1	✓	✓1		A licence will not be required to perform this work. 1 – Qld, WA, Tas and NT have indicated that a licence will continue to be required for the auctioning of livestock in these jurisdictions. The RIS proposes that an additional licence should not be required by a person holding a national auctioneer's licence in these jurisdictions.
Real estate agent	✓	✓	✓	✓	✓	✓	✓	✓	✓	Rural property will be included in the scope of work of a real estate agent. This will expand the work area for NSW, along with removing the need for a separate licence. Vic – reduced administrative requirements for business in regard to the registration of employees 1. Qld and SA – currently require the licensee to pay for a criminal history report. 2. Fitness and propriety checks for individuals and directors of body corporate. 3. In NSW, ACT and NT this is a disqualified person. 4. A body corporate agency must be managed by a registered land agent. 5. 18 specified units of competency are required in the ACT 6. In Queensland a licensed individual must be in charge of an auctioneer's or real estate agent's business
Qualification										
• Diploma level				✓	✓	✓		✓		
• Certificate IV	✓	✓	✓						✓	
• Specified number of units							✓5			
Financial probity checks										
• payment of fines or penalties	✓	✓	✓	✓	✓			✓	✓	
• bankruptcy/insolvency checks	✓	✓	✓	✓	✓	✓	✓	✓	✓	
• provisions of financial statements				✓						
• provisions of annual returns					✓					
Personal probity checks										
• criminal history check	✓	✓	✓1	✓	✓1			✓	✓	
• director/corporation check	✓	✓	✓	✓	✓	✓	✓	✓	✓	
• fit and proper check	✓	✓		✓	✓2	✓	✓	✓		

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Licence category and eligibility requirements <i>Licence categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
<ul style="list-style-type: none"> drug conviction 		✓						✓		
Evidence of experience		✓		✓		✓	✓	✓		
Age requirement (minimum age)	✓	✓	✓	✓			✓	✓		
Insurance requirement (professional indemnity insurance)						✓	✓	✓		
Character check of a licensee's business associates			✓							
Cannot be a represented person under a guardianship order or a declaration of mental capacity required	✓ 3	✓				✓	✓ 3	✓ 3		
Not a disqualified person	✓	✓	✓	✓	✓	✓		✓		
Fidelity fund claim		✓	✓							
Triennial certificate				✓						
Other requirements										
<ul style="list-style-type: none"> nominee (technically skilled person employed by business) 	✓	✓	6		✓4			✓	✓	
<ul style="list-style-type: none"> mandatory skills maintenance requirements 	✓	✓		✓		✓	✓			

Licence category and eligibility requirements <i>License categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
<ul style="list-style-type: none"> advertising notice of application staff ratio requirement registered address in jurisdiction 				✓		✓				
				✓						
	✓	✓	✓							✓
Licence duration	1 year	1 year	1 or 3 years	3 years	1 year	Annual registration	1 year	1 year	1 year	1 or 3 years
Business agent	✓			✓			✓	✓	✓	
Currently forms part of the work of a real estate agent's licence 1		✓1	✓1		✓ 1& 2	✓1				
Qualification										
<ul style="list-style-type: none"> Diploma Certificate IV Specified number of units 				✓						
	✓									✓
							✓ 3			
Financial probity checks										
<ul style="list-style-type: none"> payment of fines or penalties bankruptcy/insolvency checks provisions of financial statements provisions of annual returns 	✓			✓				✓	✓	
	✓			✓			✓	✓	✓	
				✓						
Personal probity checks										
<ul style="list-style-type: none"> criminal history check director/corporation check 	✓			✓						✓
	✓			✓			✓	✓	✓	

1. Vic, Qld, Tas and SA – Under national licensing a separate licence will be required to perform business agency work. This would also marginally increase the qualification requirements due to the separate licence category.

2. Must have completed two business units of competency.

3. 18 specified units of competency are required in the ACT

4. In NSW, ACT and NT this is a disqualified person.

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Licence category and eligibility requirements <i>License categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
<ul style="list-style-type: none"> fit and proper check drug conviction 	✓			✓			✓			
Evidence of experience				✓			✓	✓		
Age requirement (minimum age)	✓			✓			✓	✓		
Insurance requirement (professional indemnity insurance)							✓	✓		
Cannot be a represented person under a guardianship order or a declaration of mental capacity required	✓ 4						✓ 4	✓ 4		
Not a disqualified person	✓			✓				✓		
Fidelity fund claim										
Triennial certificate				✓						
Other requirements										
<ul style="list-style-type: none"> nominee (technically skilled person employed by business) 	✓									✓
<ul style="list-style-type: none"> mandatory skills maintenance requirements 	✓			✓			✓			
<ul style="list-style-type: none"> advertising notice of application 				✓						
<ul style="list-style-type: none"> staff ratio requirement 				✓						
<ul style="list-style-type: none"> registered address in jurisdiction 	✓									✓
Licence duration	1 year			3 years			1 year	1 year		1 or 3 years

Licence category and eligibility requirements <i>License categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
Strata managing agent	✓	✓ 2							✓	<p>1. ACT and NT – Under national licensing a separate licence will be required to perform strata managing agent work. This would increase the cost to prospective licensees with the skill-based eligibility requirements being changed.</p> <p>2. Vic – a registration scheme with no skills-based eligibility requirements. This would increase the cost to prospective licensees with the skill-based eligibility requirements being changed.</p> <p>3. In NSW this is a disqualified person.</p>
Currently forms part of the work of a real estate agent's licence 1							✓	✓		
Qualification										
• Diploma										
• Certificate IV	✓								✓	
Financial probity checks										
• payment of fines or penalties	✓								✓	
• bankruptcy/insolvency checks	✓	✓							✓	
• provisions of financial statements										
• provisions of annual returns										
Personal probity checks										
• criminal history check	✓								✓	
• director/corporation check (business entities)	✓								✓	
• fit and proper check	✓									
• drug conviction										
Evidence of experience										
Age requirement (minimum age)	✓	✓								
Insurance requirement (professional indemnity insurance)		✓								

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Licence category and eligibility requirements <i>License categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
Cannot be a represented person under a guardianship order or a declaration of mental capacity required	✓ 3	✓								
Not a disqualified person	✓									
Other requirements										
<ul style="list-style-type: none"> nominee (technically skilled person employed by business) 	✓								✓	
<ul style="list-style-type: none"> mandatory skills maintenance requirements 	✓									
<ul style="list-style-type: none"> registered address in jurisdiction 	✓								✓	
Licence duration	1 year	1 year								1 or 3 years
Auctioneer	✓		✓	✓1	✓			✓	✓	
Currently forms part of the work of a real estate agent's licence		✓				✓	✓			
Real estate agent's licence prerequisite	✓				✓					
Currently includes auctioning of livestock in the scope of regulated work	✓		✓	✓		✓	✓	✓		
Qualification										
<ul style="list-style-type: none"> Skill set – 2 units of competency 	✓2				✓3					
<ul style="list-style-type: none"> Skill set – 3 units of competency 									✓	

1. Licensed under separate legislation under a general auctioneer's licence and issued through magistrate's courts. WA will be required to issue as a separate category.

2. NSW – Currently an endorsement on a real estate agent's licence or stock and station agent's licence. Licence prerequisite qualification required, plus 2 additional units of competency.

Tas – Included in scope of work of a real estate agent and also issue a separate registration for a general auctioneer (goods and chattels).

Licence category and eligibility requirements <i>License categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
<ul style="list-style-type: none"> 5 Specified number of units 			✓							<p>3. SA – Licence prerequisite as a licensed land agent or a registered sales representative, plus 2 additional units of competency for land agents (no additional units required for newly qualified land agents). Sales representatives only require 1 additional unit due to packaging of qualification.</p> <p>4. Qld – currently requires the licensee to pay for a criminal history report.</p> <p>5. In NSW and NT this is a disqualified person.</p> <p>6. In Queensland a licensed individual must be in charge of an auctioneer’s or real estate agent’s business</p>
Financial probity checks										
<ul style="list-style-type: none"> payment of fines or penalties 	✓			✓	✓			✓		
<ul style="list-style-type: none"> bankruptcy/insolvency checks 	✓		✓	✓	✓			✓		
Personal probity checks										
<ul style="list-style-type: none"> criminal history check 	✓		✓4	✓	✓				✓	
<ul style="list-style-type: none"> fit and proper check 	✓			✓	✓					
<ul style="list-style-type: none"> drug conviction 								✓		
<ul style="list-style-type: none"> character testimonials 				✓						
Evidence of experience			✓	✓				✓		
Age requirement (minimum age)	✓		✓	✓				✓		
Insurance requirement (professional indemnity insurance)								✓		
Character check of a licensee’s business associates			✓							
Cannot be a represented person under a guardianship order or a declaration of mental capacity required	✓ 5							✓ 5		
Not a disqualified person	✓		✓	✓	✓			✓		

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Licence category and eligibility requirements <i>License categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
Fidelity fund claim			✓							
Other requirements										
<ul style="list-style-type: none"> nominee (technically skilled person employed by business) for corporations 			6							
<ul style="list-style-type: none"> mandatory skills maintenance requirements 	✓			✓						
<ul style="list-style-type: none"> advertising notice of application 				✓						
<ul style="list-style-type: none"> registered address in jurisdiction 	✓		✓							
Licence duration	1 year		3 years	1 year	1 year		1 year	1 year	1 or 3 years	
Agent's representative (combined real estate & business agency work)		✓	✓		✓				✓	
Separate licence categories for real estate agent's representative and business agent's representative	✓			✓			✓	✓		
Qualification										
<ul style="list-style-type: none"> Certificate IV 			✓		✓			✓1		
<ul style="list-style-type: none"> Skill set – 7 units of competency 				✓						
<ul style="list-style-type: none"> Skill set – 5 units of competency 							✓		✓	
<ul style="list-style-type: none"> Skill set –4 units of competency 	✓									

Licence category and eligibility requirements <i>License categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
<ul style="list-style-type: none"> 3 specified units of competency 		✓								criminal history report. 3. In NSW, ACT and NT this is a disqualified person. *4. Registration of an agent's representative is only required at the commencement and ceasing of employment. The employer advises the regulator of the employment status.
Financial probity checks										
<ul style="list-style-type: none"> payment of fines or penalties 	✓	✓						✓	✓	
<ul style="list-style-type: none"> bankruptcy/insolvency checks 	✓	✓	✓	✓			✓ 3	✓		
<ul style="list-style-type: none"> provisions of annual returns 					✓					
Personal probity checks										
<ul style="list-style-type: none"> criminal history check 	✓	✓	✓ 2	✓	✓ 2				✓	
<ul style="list-style-type: none"> fit and proper check 	✓	✓		✓	✓		✓			
<ul style="list-style-type: none"> drug conviction 								✓		
Evidence of experience			✓	✓			✓	✓		
Age requirement (minimum age)	✓	✓	✓	✓			✓	✓		
English language test					✓					
Insurance requirement (professional indemnity insurance)							✓	✓		
Character check of a licensee's business associates			✓							
Cannot be a represented person under a guardianship order or a declaration of mental capacity required	✓ 3	✓					✓ 3	✓ 3		
Not a disqualified person	✓	✓	✓		✓			✓		
Fidelity fund claim		✓	✓							

Consultation Regulation Impact Statement – property occupations

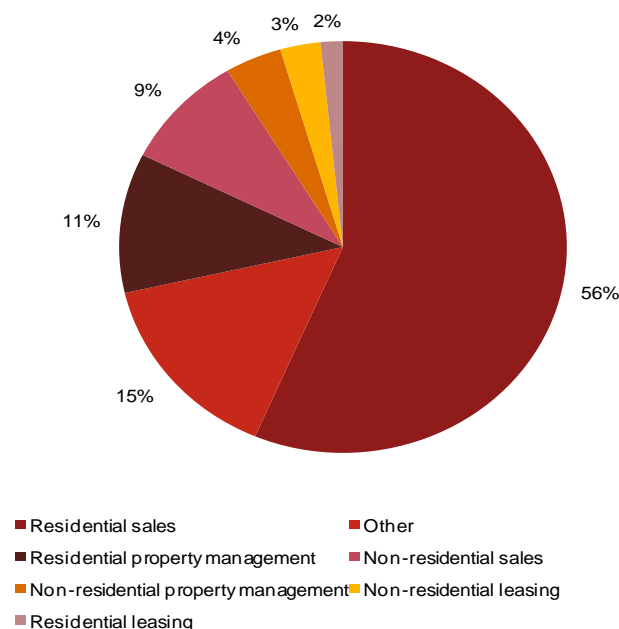
Licence category and eligibility requirements <i>Licence categories and their requirements</i>	Current situation <i>Existing licensing requirements applying in each of the jurisdictions</i> (✓ indicates a licensed activity; blank cell means not required or licensed; shaded area denotes a licence category)								National licensing	Summary of impact <i>Impact of moving from current situation to national licensing</i>
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
Triennial certificate				✓						
Other requirements										
<ul style="list-style-type: none"> mandatory skills maintenance requirements 	✓						✓			
<ul style="list-style-type: none"> registered address in jurisdiction 	✓	✓								
Licence duration	1 year	*4	1 or 3 years	3 years	1 year		1 year	1 year	1 or 3 years	

Attachment C – Overview of the property industry sector

The property industry in Australia includes a large number of property occupations, such as real estate agents, business agents, strata managers, property managers and auctioneers.⁵⁵ In 2011-12, the industry generated revenue of \$9 billion, the majority of which was derived from residential sales (56.4 per cent); residential property management and non-residential property sales were the next largest contributors.⁵⁶

In the residential market, operators mostly comprise localised firms with a smaller number of national franchises that mainly operate in the non-residential and rural markets. Figure C.1 illustrates this product and service segmentation.

Figure C.1: Product and services segmentation, 2011



Source: IBISWorld 2011, *Industry Report: Real estate agents in Australia*, February.

Based on information provided by jurisdictional regulators, there are over 126,000 property licensees across Australia. Approximately 75 per cent of licences are issued in New South Wales, Victoria and Queensland.

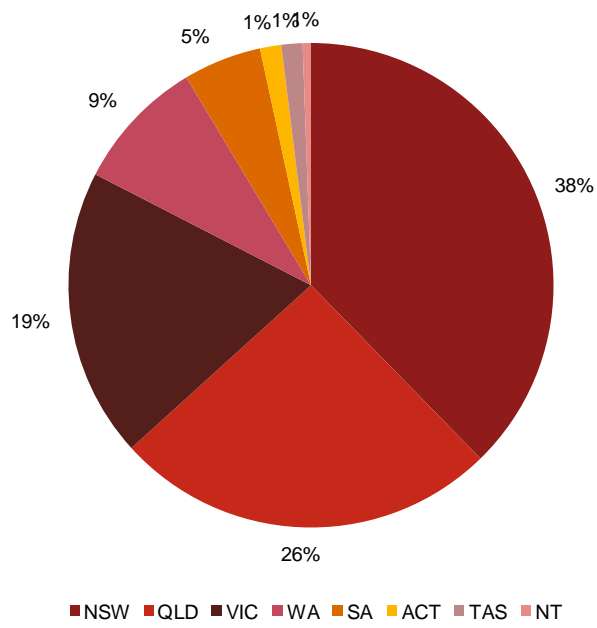
The majority of real estate establishments (approximately 83 per cent) are located in New South Wales, Victoria and Queensland.⁵⁷ There has been significant growth in demand for both residential and non-residential real estate in Western Australia, which has resulted in more real estate agents in that state than population alone would suggest (see Figure C.2).

⁵⁵ The industry also includes conveyancers and valuers, which fall into the second tranche of national licensing occupations.

⁵⁶ IBISWorld 2012, *Industry Report L7720: Real estate agents in Australia*, March 2012.

⁵⁷ Ibid.

Figure C.2: Business locations



Source: IBISWorld 2011, *Industry Report: Real estate agents in Australia*, February.

Attachment D – National licensing policy development process

Membership of the Property Occupations Interim Advisory Committee, Property Occupations Regulator Working Group and the Council of Australian Governments National Licensing Steering Committee is provided below.

The Interim Advisory Committee and the Regulator Working Group met throughout 2010 and early 2011 to assist with the development of the following elements of licensing policy for the national licensing system:

- licence categories, licence types and prescribed scopes of work
- eligibility requirements (skilled and non-skilled)
- other licence characteristics (exemptions, conditions, restrictions and endorsements)
- transitional arrangements.

The objectives used in developing the licensing policy are taken from section 3 of the *Occupational Licensing National Law Act 2010*, as set out below:

The objectives of the national licensing system are as follows –

- (a) to ensure that licences issued by the Licensing Authority allow licensees to operate in all participating jurisdictions;
- (b) to ensure that licensing arrangements are effective and proportionate to ensure consumer protection and worker and public health and safety while ensuring economic efficiency and equity of access;
- (c) to facilitate a consistent skill and knowledge base for licensed occupations;
- (d) to ensure effective coordination exists between the Licensing Authority and jurisdictional regulators
- (e) to promote national consistency in—
 - (i) licensing structures and policy across comparable occupations; and
 - (ii) regulation affecting the requirements relating to the conduct of licensees; and
 - (iii) the approach to disciplinary arrangements for licensees;
- (f) to provide flexibility to deal with issues specific to particular jurisdictions or occupations;
- (g) to provide the public with access to information about licensees.

The policy development process, in addition to complying with COAG's *Principles of best practice regulation*, followed the principles set out in the Intergovernmental Agreement for a National Licensing System for Specified Occupations, which forms the basis for establishing national licensing:

- The system operates in a transparent, accountable, efficient, effective and fair manner.
- Regulatory intervention in the form of licensing is only contemplated where risks arising from market failure or risks to public health and safety warrant corrective action and, of all feasible options, licensing provides the greatest net public benefit.

- Licensing arrangements do not duplicate legislative protections contained under other laws, in particular, competition law, consumer protection law or occupational health and safety law.
- Licensing arrangements only include requirements needed to address identified consumer protection risks arising from market failure and/or worker and public health and safety risks without imposing unnecessary costs on consumers and business or substantially lessening competition.
- Licensing eligibility requirements are expressed in objective not subjective terms.
- The system will not require the extension of licensing to sub-groups of a broad occupational group that are not currently licensed in particular jurisdictions.
- Licensing arrangements are subject to an initial review five years after commencement and subsequently at a frequency no less than every 10 years.

As part of the National Occupational Licensing Authority’s communication strategy, following each meeting, communiqués outlining the progress of work were made available on the [national licensing website \(www.nola.gov.au\)](http://www.nola.gov.au).

Table D.1: Membership of the Property Occupations Interim Advisory Committee

Member	Organisation
Mr David O’Connor	Chair
Mr John Furbank	Consumers’ Federation of Australia
Mr Andy Madigan	Australian Livestock and Property Agents Association
Mr Mark Lever	National Community Titles Institute
Mr Daniel Molloy	Real Estate Institute of Australia
Mr Jock Kreitals	Real Estate Institute of Australia
Ms Sarah Gray	Real Estate Institute of Australia
Mr Milton Cockburn	Shopping Centre Council of Australia
Ms Barbara El-Gamal	Department of Services, Technology and Administration, New South Wales
Ms Christine Nigro	Consumer Affairs Victoria, Department of Justice, Victoria
Mr Gary Newcombe	Department of Commerce, Western Australia
Mr David Magee	Construction and Property Services Industry Skills Council

Table D.2: Membership of the Property Occupations Regulator Working Group

Jurisdiction	Member	Organisation
	Mr David O'Connor	Chair
NSW	Ms Barbara El-Gamal	Department of Services, Technology and Administration
Vic	Ms Christine Nigro	Consumer Affairs Victoria, Department of Justice
QLD	Mr Danny Low	Office of Regulatory Policy, Department of Justice and Attorney-General
WA	Mr Gary Newcombe Alt: Mr Andrew Lee	Department of Commerce
SA	Mr Michael Nelson Alt: Ms Jenna Phillips-Wilkinson Ms Sue Rudall	Consumer and Business Affairs Division of the Attorney-General's Department
Tas	Ms Alicia Hutton	Property Agents Board
ACT	Mr Peter Quinton	Directorate of Justice and Community Safety
NT	Ms Carolyn Parsell	Department of Justice
NZ	Ms Melinda Geary	Ministry of Justice (observer)
	Mr Mark Jones	Land Information (observer)

Table D.3: Membership of the Council of Australian Governments National Licensing Steering Committee

	Member	Organisation
Commonwealth	Mr Robert Griew (Chair)	Department of Industry, Innovation, Science, Research and Tertiary Education
NSW - joint	Dr Meg Montgomery	Department of Premier and Cabinet
	Mr Scott Wheeler	Department of New South Wales Treasury
Vic	Mr Sam Abusah	Department of Treasury and Finance
Qld	Ms Katrina Martin	Queensland Treasury and Trade
WA	Mr Alistair Jones	Department of Treasury and Finance
SA	Mr Stephen Campbell	Department of the Premier and Cabinet
Tas	Ms Kerrie Crowder	Department of Justice
ACT	Mr Brett Wilesmith	Treasury Directorate
NT - joint	Mr Robert Bradshaw	Department of Justice
	Mr Armando Padovan	Department of Lands and Planning NT

Table D.4: Membership of the National Occupational Licensing Authority Board

Chair
Ms Elizabeth Crouch
Board members
Mrs Wendy Machin
Mr Graham Anderson
Mr Albert Koenig
Mr John Sutton
Ms Miranda Douglas-Crane
Mr Tony Arnel
Ms Anne Gale
Mr David Ford

Attachment E – Overview of existing licensing requirements and licence categories

Property occupations such as real estate, stock and station, and business agents are licensed in some way in all Australian states and territories. The majority of the regulators are government departments. In Victoria and the Northern Territory, occupational licensing is undertaken by a separate authority or board.

Table E.1: Jurisdictional regulators of the property occupations

State or territory	Regulator
New South Wales	NSW Fair Trading (Department of Finance and Services)
Victoria	Business Licensing Authority
Queensland	Fair Trading (Department of Justice and Attorney-General)
Western Australia	Department of Commerce
South Australia	Consumer and Business Services Division of the Attorney-General's Department
Tasmania	Office of Consumer Affairs and Fair Trading; Property Agents Board
Australian Capital Territory	Office of Regulatory Services
Northern Territory	Agents' Licensing Board

Source: Provided by the regulatory authorities.

Overview of current licensing and eligibility requirements

Property agents are licensed to perform a variety of functions including buying, selling, renting and auctioning of real property. Some jurisdictions also define separate licences based on the nature of the property assets being transferred. For example, New South Wales has distinct licences for real estate agents, stock and station agents, strata managing agents and business agents, whereas in Victoria an estate agent's licence covers a broad scope of work that includes business agency work and auctioning of real property.

Several jurisdictions make a distinction between those who are licensed to supervise property dealings and those who must be supervised.

Most regulators have access to the interest earned on money held in trust by property agents. These funds can be accessed to fund some regulatory activities and in most jurisdictions support a fidelity fund that may be accessed if there is a failure to account for moneys held in trust by an agent.

Current licensing of property work may be characterised as covering six main areas, which are outlined below.

Real estate agent

Real estate agents are currently licensed in all jurisdictions and there is general consistency in the core functions described in the scope of work for the various property agent licence categories across jurisdictions. For example, all jurisdictions provide for the core functions of a real estate agent as acting (including negotiating) on behalf of another for reward in transactions relating to the sale, purchase, exchange, or leasing of real property (both residential and non-residential).

Victoria and South Australia take a broad licensing approach and issue a single licence to cover sale, auctioning of real property, leasing and management of residential, non-residential and rural property and businesses. Other jurisdictions follow a segmented approach, with one or more licence categories in addition to a real estate agent's licence. For example;

- New South Wales has a separate, stock and station licence category for rural land and residential sales.
- Queensland also has a separate licence category relating to rural property, a pastoral house licence. However, unlike New South Wales, in Queensland real estate agents are also able to sell, lease, or manage rural property. The regulated work for Queensland pastoral house licence includes the sale of rural land and livestock.

The qualification requirement for real estate agents varies across the jurisdictions as follows:

- Western Australia, South Australia, Tasmania and the Northern Territory require a diploma level.
- New South Wales, Victoria and Queensland require a Certificate IV.
- The Australian Capital Territory requires completion of 18 units of competency taken from both qualification levels.

Business agent

Business agency work is licensed in two different ways across the jurisdictions, either as a separate category (New South Wales, Western Australia, the Australian Capital Territory and the Northern Territory) or captured under a real estate agent's licence (Victoria, Queensland, South Australia and Tasmania). Where business licences are issued separately the qualification requirement can be either a Certificate IV (New South Wales and the Australian Capital Territory) or a diploma (Western Australia and Tasmania). In the jurisdictions where business agency work is encompassed in that of a real estate agent, a real estate agent's qualification is required, except for South Australia where the completion of a specialised business agent unit of competency (CPPDSM4079A – Work in the business broking sector) is required.

Strata managing agent

Strata managers are currently licensed in different ways in the following four jurisdictions: New South Wales issues a separate licence, Victoria operates a registration system and in the Australian Capital Territory and the Northern Territory this work can be undertaken by a real estate agent. Queensland, Western Australia, South Australia and Tasmania do not currently license strata managers and will not be required to do so under national licensing.

The qualification requirement is very different in the two jurisdictions that license as a separate category:

- a Certificate IV is required in New South Wales
- in Victoria a qualification is not required.

Property management

New South Wales and Tasmania issue a licence or registration respectively for property managers. In the other jurisdictions this work is included in the regulated work of a real estate agent or an agent's representative.

The qualification requirement in the jurisdictions that issue a separate licence is as follows;

- 10 specified units of competency in New South Wales

- Diploma required in Tasmania

Agent's (sales) representative

An agent's representative or sales representative is an employee of a licensed estate agent or a licensed business agent (where licensed separately) who can perform most of the regulated work of the employer but must do so under supervision. The current scope of work for an agent's (sales) representative in Western Australia and South Australia is broader than in other jurisdictions. For example, the drafting of contracts is within scope of the licence in South Australia⁵⁸. Conversely, South Australia includes non-residential property management within the scope of work of an agent's (sales) representative, however residential property management is not included. Those performing residential property management works must be employed by a licensed land agent. A land agent is authorised to perform both residential and commercial property management.

Most jurisdictions currently have a registration scheme for the employee level, which requires an applicant to meet a range of eligibility criteria usually including personal probity (verified by a police check) and qualification requirements, except Tasmania where a negative licensing system operates, i.e. if an agent's representative is found guilty of a disciplinary offence they are listed on a register. In Victoria, the onus for registration also falls on the employer rather than the employee and no licence fee is paid to the regulatory authority.

All jurisdictions require the employees to have some level of training. However, the requirements differ significantly, as follows:

- Qld - Certificate IV
- NT – Certificate IV for business agent's representatives, and 24 specified units of competency for a real estate agent's representative
- SA – 17 specified units of competency
- WA – 7 specified units of competency
- ACT - 5 specified units of competency
- NSW - 4 specified units of competency
- Vic – 3 specified units of competency

Auctioneer

Real property

Currently all jurisdictions license auctioneers of real property (residential and non-residential) albeit in different ways. Auctioneers in New South Wales, Victoria, Tasmania and the Australian Capital Territory are also real estate agents. In South Australia an auctioneer is either a real estate agent or a sales representative. A separate licence is issued in Queensland, Western Australia and the Northern Territory without a prerequisite of being a real estate agent.

⁵⁸ A provision in the *Legal Practitioners Act (SA) 1981* recognises the skills and training of sales representatives to allow this work

Livestock

The auctioning of livestock currently falls within the scope of regulated work of an auctioneer all jurisdictions except Victoria and South Australia. As with the auctioning of real property licensing occurs in different ways. Auctioneers in New South Wales and the Australian Capital Territory are also stock and station agents. A separate licence is issued in Queensland, Western Australia, and the Northern Territory without a prerequisite of being a real estate agent. In Tasmania auctioning of livestock is included in regulated work of a real estate agent or a separate registration can be issued for a general auctioneer.

Current licence categories

Currently the licensing of property occupations work may be characterised as fitting into nine main areas:

- real estate agent
- business agent
- strata managing agent
- stock and station agent
- buyers agent
- property managing agent
- agent's representative
- business agent's representative
- auctioneer (real property and stock)

Table E.2 illustrates which of these areas are covered by the various jurisdictional regulatory arrangements. The nomenclature of the licences issued differs across jurisdictions and may not necessarily be the same as the licence listed in the first column. For example, real estate agents are called land agents in South Australia and estate agents in Victoria. Agent's representatives are called sales representatives in South Australia and Western Australia.

Table E.2: Property occupations licensing arrangements by jurisdiction (shaded area denotes licensing)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Real estate agent								
Business agent		b	b		b	b		
Strata managing agent		f				k	b	b
Stock and station agent			b					
Pastoral house agent								
Buyer's agent		b	b	b	b		b	b
Property managing agent		b & i	b	b	b & j			b
Auctioneer (real property)	a	b	d	d	e	c	b	
Auctioneer (stock)	a			d			b	
Agent's representative		g		j				
Business agent's representative		h	h	10	h			
Strata managing agent								

- a No separate auctioneer licence category, but an endorsement is placed on a real estate agent's or stock and station agent's licence for competent persons.
- b Not a separate licence category but forms part of the scope of work of a real estate agent or stock and station agent.
- c Included in the scope of work of a real estate agent and can issue a separate registration for a general auctioneer.
- d Queensland's and Western Australia's auctioneer's licence captures the auction of both real and personal property. (Auctioneers in WA are licensed in the Magistrates Court.)
- e An auctioneer must also be licensed as an agent or sales representative in order to obtain an auctioneer's licence.
- f A 'light touch' registration scheme with limited eligibility criteria.
- g Assessment of eligibility and recording of details of the public register is delegated to the employing agent.
- h Not a separate licence category but forms part of the scope of work of an agent's representative.
- i Victoria – Restricted to collecting rent.
- j Sales representatives are required to be licensed (as a sales representative) only if they are performing commercial property management work (and must work for a licensed land agent). Those performing residential property management work do not currently require a sales representative licence, but they must still work for a licensed land agent. A single registration is issued for sales representatives to act as either a real estate sales representative or a business sales representative or both a real estate sales representative and a business sales representative.
- k Tasmania operates a negative licensing scheme.

Attachment F - Risks associated with property occupations

The work of a property agent involves transactions relating to the sale, purchase, exchange, or leasing of real property. Often large sums of money can be exchanged or held in trust. Identified risks associated with this work include; misappropriation of monies held in trust, acceptable appraisals of property, timely completion of sale or contracts. The current regulation of the property occupations in Australia has evolved as a way of protecting the consumers of property agent services and mitigating the potential risks consumers face in entering into an agency relationship.

Any agency relationship involves trust because the consumer engages a person to act on their behalf. Delegation of responsibility is involved. There is a risk that an agent will act in their own interest to the detriment of the property owner.⁵⁹

This is particularly the case in relation to the misappropriation of funds held in trust. These risks are addressed in Australia in a number of ways. For example, property (real estate) agents are required to be licensed and conform to trust accounting regulation. Fidelity insurance is provided to compensate consumers who are the victims of misappropriation of trust money.

Property Occupations Regulator Working Group members provided data on the approximate size of trust funds at risk, the monetary total for claims and the number of claims in jurisdictions, as shown in tables F.1 and F.2 respectively.

Table F.1: Approximate size of trust accounts in jurisdictions

NSW	Vic	Qld	WA	SA	Tas	ACT	NT
\$1.47 billion	\$1.25 billion ^a	\$775.7 million ^a	\$409,616,369 (total July 2011 – April 2012) \$40,961,639 ^b	Data not available	\$50 million	Data not available	Data not available

a Average daily balance of monies held in trust accounts by jurisdiction.

b Average total balance at the end of the month for period July 2011 – April 2012 (Western Australia).

Table F.2: Total monetary claims (and total number of claims) between 2004–05 and 2010–11

	NSW	Vic ^a	Qld	WA ^c	SA ^b	Tas	ACT	NT
2004–05	\$666,582 (193)	\$834,454 (123)	\$385,836 (14)		\$6,191,000 (480)	Nil	Data not available	Nil
2005–06	\$958,262 (151)	\$87,993 (19)	\$455,211 (19)		\$5,593,000 (550)	Nil	Data not available	Nil
2006–07	\$517,183 (155)	\$163,155 (16)	\$368,603 (15)		\$250,000 (46)	Nil	Data not available	Nil
2007–08	\$842,316 (282)	\$68,342 (6)	\$2,927,587 (80)		\$75,000 (1)	Nil	Data not available	Nil

59 NSW Office of Fair Trading 2008, *Statutory review of the Property Stock and Business Agents Act 2002*, 'Chapter 3: Market failure and the objectives of the legislation'.

	NSW	Vic ^a	Qld	WA ^c	SA ^b	Tas	ACT	NT
2008–09	\$2,758,945 (787)	\$640,377 (7)	\$1,420,464 (125)	+	\$44,000 (1)	Nil		Nil
2009–10		\$120,784 (2)		30/06/2010 48 claims outstanding with a value of \$4,681,000. 30/06/2010 \$97,392 expended from fidelity account. 65 claims completed (as reported in the annual report).	Nil			
2010–11		\$2,832,734 (25)		30/06/2011 77 claims outstanding with a value of \$6,336,768. 30/06/2011 \$268,919 expended from fidelity account. 9 claims completed (as reported in the annual report).	Nil			
Current year to date	\$332,982 (63)	\$446,204 (37)	\$426,034 (71)	Interim YTD as at 28/05/2012 65 outstanding claims with a value of \$4,346,098.55 (majority of claims relate to several failed property development ventures associated with two real estate agents) Settled 3 claims at a value of \$82,080 to date.	Nil	Nil		Nil

a Victorian claims from 2004–05 to 2007–08 related to estate agents only. Claims from 2008–09 relate to estate agents and conveyancers.

b South Australia claims for 2004–05, 2005–06 and 2006–07 are predominantly related to a failed property development venture. The claims relate to a conveyancer's trust account rather than a real estate agent's trust account.

c Western Australia provided a total figure for period 1998/99–2008/09 which is \$5,628,406.

The National Competition Policy review of property agent legislation in New South Wales found that the main reasons for licensing the activities of property agents were:

- consumers engage in property and business sales and purchases, and other property transactions, relatively infrequently and therefore generally have limited knowledge of the market
- these transactions involve a large proportion of an individual's total wealth and are probably the most expensive transactions people undertake in their lives

- large amounts of money are held in trust by agents.⁶⁰

Similarly, the National Competition review of the regulation of estate agents in Victoria found that:

[i]n the real estate agent industry there are risks of financial loss associated with the misappropriation of funds held in trust. Estate agents are in a position of considerable trust and the main areas of risk include:

- agents hold the deposits on transactions, which are significant sums of money given the relative size and importance of most transactions – be they residential or non-residential property;
- agents collect rents on behalf of landlords; and
- agents are also in a position of considerable trust with residential tenants, holding keys to premises and a significant amount of information regarding that person’s employment, income and previous residences.⁶¹

The New South Wales statutory review of the *Property, Stock and Business Agents Act 2002* found that:

funds notionally at risk are estimated at around \$1.089 billion. This figure is based on the amount of money paid into the Property Services Statutory Interest Account. In 2006/7, the total received was \$39.22 million. Annual payments from the statutory Compensation Fund for failure to account between 2003 and 2007 range from around \$362,000 to \$1,024,000.⁶²

In a property transaction, the consumer faces risks such as not finding a buyer or tenant, failure to maximise the true value of the property and loss of deposit or rental income. The engagement of an agent can assist in managing some of those risks but can also generate further risks. One such risk associated with the safety of moneys held in trust is mentioned above. Other risks include incompetence, unethical or dishonest behaviour, poor quality of service, misrepresentation and business failure.

In addition it is noted that in some jurisdictions (Western Australia and Tasmania), consumers face an additional level of risk where the fidelity funds are ‘funds of last resort’ requiring the consumer to take action against the agent or insurance in the first instance before accessing fidelity funds.

When the New South Wales Government undertook a National Competition Policy review in 1998, it was found that the most common complaints received by the Department of Fair Trading involved:

- mishandling of trust moneys (10.87%)
- property mismanagement (10.78%)
- unethical activity (8.94%)
- failure to account for moneys (7.62%)
- misrepresentations in advertising or statements (6.92%)
- mishandling of a sale (6.4%).⁶³

The 2008 statutory review of the *Property, Stock and Business Agents Act 2002* indicated that the most common complaints about property agents for the 2003–07 period related to:

60 Ibid.

61 Government of Victoria 2000, *National Competition Policy Review of Victorian Legislation relating to the regulation of Estate Agents*, Department of Justice, Melbourne.

62 NSW Office of Fair Trading 2008b, *Report: Statutory review of the Property Stock and Business Agents Act 2002*, Department of Commerce, Sydney.

63 Review of the Property Stock and Business Agents Act 2002, ‘Attachment B: Year in Review Extracts’.

- unsatisfactory performance of service
- misleading and deceptive behaviour
- failure to account for money held in trust
- unlicensed trading
- refunds
- general compliance with legislation
- general complaints about rights and responsibilities
- repairs and maintenance.⁶⁴

Additional complaint data to create a fuller picture has been provided by some jurisdictions via the Regulator Working Group.

Victoria – data on complaints received with respect to estate agent practices during 2008–09 can be categorised as follows:

- prices and charges (32%)
- trust money (27%)
- misleading and deceptive conduct (17%)
- contracts and unfair terms (5%)
- harsh and unconscionable conduct (2%)
- unlicensed trading (1%)
- marketing (1%)
- conflict of interest (1%)
- other conduct (12%).

Western Australia:

- The largest number of complaints received is in relation to stolen or missing property management moneys, which include rents and bonds.
- Other instances include stealing of deposits for purchases.

Information about the nature of significant compliance action indicates that most noteworthy action was taken in relation to irregularities relating to the handling of trust moneys or trust account deficiencies.⁶⁵

Regulator Working Group members provided data on the approximate cost of administering funds, handling claims and appropriate compliance action in their jurisdictions, as shown in Table F.3.

64 Ibid.

65 Ibid.

Table F.3: Cost of handling and administering claims in jurisdictions per year

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT ^a
Administering funds		\$1 million	\$385,000	\$30,000	\$276,000 (2008–09)	\$30,000		
Handling claims	\$120,964	\$100,000	\$1.008 million			Nil		
Compliance		\$2.3 million	\$500,000	\$155,000 investigations		\$30,000		

a The Northern Territory based its calculations on staffing arrangements – three positions currently funded at \$344,000 per annum.

The nature of the risk may vary according to the particular property agent sector. For example, the nature of risk to money held in trust by a real estate agent may differ to that of an agent managing body corporate (or owners’ corporation) funds. Large professionally managed bodies corporate are likely to hold larger amounts of money in trust accounts, resulting in the risk of substantial loss to body corporate funds. Submissions to the Victorian Body Corporate Review 2006 identified the following risks to body corporate funds:

- no standards of financial record keeping and reporting by people operating body corporate accounts
- no enforceable requirements as to where body corporate funds are kept. For example, possible investment with high returns and possible risk of loss of funds
- persons in control of body corporate funds applying those funds for their own personal use
- persons in control of body corporate funds retaining interest off the accounts and not accounting to the body corporate for the amount of interest received or used
- managers using the funds of one body corporate to finance another building or body corporate
- inability of bodies corporate to meet repairs and maintenance of expensive items such as air conditioning and lifts.⁶⁶

An aspect of agency work where risks have been highlighted over the past 10 years is that of residential property auction sales. Residential auction sales represent approximately 40 per cent of sales in some of the larger cities such as Sydney and Melbourne and are more prevalent in inner-city and wealthier suburbs. Complaints about behaviour such as dummy bidding and auctioneers inventing non-existent bids have been received by regulators and reported in the media. ‘These practices ... aim to create more interest than actually exists, thereby putting more pressure on genuine buyers to increase their bids.’⁶⁷

In contrast to other property agents, there does not appear to be a significant risk for a consumer entering into an agency agreement with a livestock agent. Most purchasers and vendors of livestock do so on a regular basis and accordingly would have considerable expertise in the process. To ensure the health and welfare of stock and protect the consumer, a range of state and Commonwealth

66 Consumer Affairs Victoria 2006, *Final report of the Body Corporate Review – A review of effectiveness and efficiency of the Subdivision Act 1988 and Subdivision (Body Corporate) Regulations 2001 as they relate to the operation of bodies corporate*.

67 NSW Office of Fair Trading 2003, *Regulatory Impact Statement: Property, Stock and Business Agents Regulation 2003*.

regulations and codes of practice apply. For example, the legislation covering the regulation of stock in New South Wales includes:

- *Stock Diseases Act 1923* and Stock Diseases Regulation 2009
- *Rural Lands Protection Act 1998* and Rural Lands Protection (General) Regulation 2001
- *Prevention of Cruelty to Animals Act 1979* and Prevention of Cruelty to Animals (General) Regulation 2006
- National Livestock Identification Scheme
- Livestock Product Assurance
- Primary Industries Codes of Practice.

The sale of livestock does not appear to place the purchaser's money at risk in the same way as the sale of real property. An arrangement that is used in some jurisdictions for the transfer of moneys for livestock sale is a 'del credere' arrangement. Under a 'del credere' arrangement, a livestock agent accepts an appointment on the basis that they guarantee to pay the sale's proceeds to the seller, regardless of whether or not the buyer pays the proceeds. Accordingly, the agent does not hold moneys in trust as in other types of property transactions.

Attachment G – Proposed property qualification requirements

Real estate agent

Completion of CPP40307 Certificate IV in Property Services (Real Estate) from the CPP07 Training Package, including the units of competency listed in Table G.1, for the licensing of a real estate agent.

Table G.1: Proposed mandatory units of competency to be included in the CPP40307 Certificate IV in Property Services (Real Estate)

Unit code	Unit title
CPPDSM4080A*	Work in the real estate industry
CPPDSM4007A	Identify legal and ethical requirements of property management to complete agency work
CPPDSM4008A	Identify legal and ethical requirements of property sales to complete agency work
CPPDSM4009A	Interpret legislation to complete agency work
CPPDSM4015A	Minimise agency and consumer risk
CPPDSM4011A	List property for lease
CPPDSM4013A	Market property for lease
CPPDSM4012A	List property for sale
CPPDSM4014A	Market property for sale
CPPDSM4003A	Appraise property
CPPDSM4018A	Prepare and present property reports
CPPDSM4010A	Lease property
CPPDSM4016A	Monitor and manage lease or tenancy agreement
CPPDSM4049A	Implement maintenance plan for managed properties
CPPDSM4020A	Present at tribunals
CPPDSM4019A	Prepare for auction and complete sale
CPPDSM4005A	Establish and build client-agency relationships
CPPDSM4022A	Sell and finalise the sale of property by private treaty
CPPDSM4006A	Establish and manage agency trust accounts
CPPDSM4056A	Manage conflict and disputes in the property industry
CPPDSM4017A	Negotiate effectively in property transactions

OR

Hold a current business agent licence plus completion of the skill set shown in Table G.2 from the CPP40307 Certificate IV in Property Services (Real Estate).

Table G.2: Proposed skill set for a licensed business agent wishing to also operate as a real estate agent

Unit code	Unit title
CPPDSM4007A	Identify legal and ethical requirements of property management to complete agency work

CPPDSM4008A	Identify legal and ethical requirements of property sales to complete agency work
CPPDSM4003A	Appraise property
CPPDSM4019A	Prepare for auction and complete sale
CPPDSM4018A	Prepare and present property reports
CPPDSM4010A	Lease property
CPPDSM4016A	Monitor and manage lease or tenancy agreements
CPPDSM4022A	Sell and finalise the sale of property by private treaty

Business agent

Completion of CPP40507 Certificate IV in Property Services (Business Broking) from the CPP07 Training Package, including the units of competency listed in Table G.4, for the licensing of business agents.

Table G.4: Proposed mandatory units of competency to be included in the CPP40507 Certificate IV in Property Services (Business Broking).

Unit code	Unit title
CPPDSM4079A*	Work in the business broking sector
CPPDSM4006A	Establish and manage agency trust accounts
CPPDSM4015A	Minimise agency and consumer risk
CPPDSM4029A	Appraise business
CPPDSM4053A	List business for sale
CPPDSM4060A	Negotiate sale and manage sale to completion or settlement
CPPDSM4069A	Promote and market listed business
CPPDSM4009A	Interpret legislation to complete agency work
BSBRES401A	Analyse and present research information
A new unit to be developed	Identifying legal and ethical requirements of business sales and acquisitions to complete agency work
A new unit to be developed	Understanding and interpreting financial statements

OR

Hold a current real estate agent licence plus completion of the skill set in Table G.5 from the CPP40507 Certificate IV in Property Services (Business Broking):

Table G.5: Proposed skill set for a licensed real estate agent wishing to also operate as a business agent

Unit code	Unit title
CPPDSM4029A	Appraise business
	Identify legal and ethical requirements of business sales and acquisitions to complete agency work (a new unit yet to be developed)

Strata managing agent

Completion of CPP40609 Certificate IV in Property Services (Operations) from the CPP07 Training Package, including the units of competency listed in Table G.3, for the licensing of strata managing agents.

Table G.3: Proposed mandatory units of competency to be included in the CPP40609 Certificate IV in Property Services (Operations).

Unit code	Unit title
CPPDSM4028A	Identify and analyse risks and opportunities in the property industry
CPPDSM4044A	Coordinate maintenance and repair of properties and facilities
CPPDSM4047A	Implement and monitor procurement process
CPPDSM4048A	Implement customer service strategies in the property industry
CPPDSM4063A	Participate in developing or establishing property or facilities contracts
BSBFIA402A	Report on financial activity
BSBRKG304B	Maintain business records
BSBSMB406A	Manage small business finances
CPPDSM3019A	Communicate with clients as part of agency operations
CPPDSM3017A	Work in strata/community management sector
CPPDSM4006A	Establish and manage agency trust accounts
CPPDSM4034A	Assess and implement strata/community management agreement
CPPDSM4045A	Facilitate meetings in the property industry
CPPDSM4056A	Manage conflicts and disputes in the property industry
CPPDSM4074A	Select and appoint contractors in the property industry
BSBREL401A	Establish networks
CPPDSM4009A	Interpret legislation to complete agency work

Auctioneer

Completion of a skill set comprising the three units of competency shown in Table G.6 from CPP07 Property Services Training Package for the licensing of auctioneers.

Table G.6: Proposed skill set for an auctioneer

Unit code	Unit title
CPPDSM4019A	Prepare for auction and complete sale
CPPDSM4004A	Conduct auction
CPPDSM4008A	Identify legal and ethical requirements of property sales to complete agency work

Agent's representative

Completion of a skill set comprising the five units of competency shown in Table G.7 from CPP07 Property Services Training Package for the licensing of an agent's representative.

Table G.7: Proposed skill set for an agent's representative

Unit code	Unit title
CPPDSM4080A*	Work in the real estate industry
CPPDSM4007A	Identify legal and ethical requirements of property management to complete agency work
CPPDSM4008A	Identify legal and ethical requirements of property sales to complete agency work
CPPDSM4009A	Interpret legislation to complete agency work
CPPDSM3019A	Communicate with clients as part of agency operations

* The Advisory Committee proposed that the Construction Property Services Industry Skills Council develop a new unit which combines CPPDSM4080A *Work in the real estate industry* and CPPDSM4079A *Work in the business broking sector*.

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