

Comments on

Residential Building Mandatory Disclosure Consultation Regulatory Impact Statement May 2010

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General Discussion

COAG requirements state that a Regulatory Impact Statement (RIS) should contain evidence in support of the problem and impact assessment, and this should be quantified as far as possible. By its own consistent admission the RIS for *Mandatory Disclosure of Residential Building Energy, Greenhouse and Water Performance* fails this test. A quick search of the document on the word “evidence” reveals its shortcomings. The following excerpts clearly show that the proposed regulation is neither evidence based nor evidence informed.

There exists only limited empirical evidence supporting adverse selection in this market. Data is limited, and there exists no comprehensive national study on which evidence can be obtained. (P xii)

There is a lack of definitive evidence in Australia on which the size of the information problems can be measured. (P xiv)

.... little is known about the extent to which potential buyers/tenants would use this information were it available. No comprehensive national study, for example, has been undertaken that can either support or contradict the presence of adverse selection in the residential buildings market. (P 9)

.... there is little evidence regarding the value of building performance information, the evidence that does exist indicates that some people do use it to make decisions. (P 11)

.... there is no direct evidence to suggest that buyers/lessors would make different decisions had they full information (P 18)

.... There exists only limited empirical evidence that suggests there is adverse selection in the residential housing market. (P18)

... Given the particularly pronounced lack of evidence regarding key factors such as expected opt-out rates (see section 4.3), there is considerable uncertainty about the impact of opt-out arrangements. (P 57)

Indeed, there is limited evidence from existing schemes on the degree to which disclosure of information through an assessment stimulates investment in energy and water efficiency measures. (P 121)

On the other hand, the RIS contains claims of evidence (see excerpts below) suggesting some justification for the introduction of the regulation.

There is evidence of under-investment in known and cost effective energy, water and greenhouse savings technologies in the residential buildings sector.(P xiv)

The evidence that property owners have not invested in technically feasible efficiency enhancing solutions suggests that currently the market does not provide adequate or reliable returns for such investments. (P 58)

Without support these claims are questionable and have been contested previously by the Productivity Commission in their 2005 report *The Private Cost Effectiveness of Improving Energy Efficiency*.

Recommendation

Since the justification for Residential Mandatory Disclosure is so weak I recommend the proposal be withdrawn until two conditions are satisfied,

- 1) evidence for a market failure is clearly established and,
- 2) a validated means to satisfy the objectives of improved community well being and environmental sustainability, in reducing greenhouse gas emissions is available.