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Ms Megan Bourke-O'Neil
Deputy Secretary, Policy and Innovation
Department of Transport
1 Spring St
MELBOURNE VIC 3002

7 May 2021

Dear Ms Bourke-O'Neil

REGULATORY IMPACT STATEMENT FOR MARINE SAFETY (FEES) REGULATIONS 2021

I would like to thank your staff at the Department of Transport (the Department) for working with my team at Better Regulation Victoria on the preparation of a Regulatory Impact Statement (RIS) for the proposed Marine Safety (Fees) Regulations 2021 (the proposed Regulations) to replace Part 13 of the Marine Safety Regulations 2012 (the existing Regulations) which expire on 8 July 2021.

As you know, the Commissioner for Better Regulation provides independent advice on the adequacy of analysis provided in all RISs in Victoria. A RIS is deemed to be adequate when it contains analysis that is logical, draws on relevant evidence, is transparent about any assumptions made, and is proportionate to the proposal's expected effects. The RIS also needs to be written clearly so that it can be a suitable basis for public consultation.

I am pleased to advise that the final version of the RIS received by us on 30 April 2021 meets the adequacy requirements set out in the *Subordinate Legislation Act 1994*.

Background

The proposed Regulations set fees under the *Marine Safety Act 2010* (the Act). The purpose of the Act and Regulations made under it are to "provide for safe marine operations" in Victoria. Powered vessels (that is, those capable of using engines for propulsion) pose risks such as fatalities, injuries, property damage and costs associated with search and rescue. To reduce these risks, the Government regulates the marine sector, provides infrastructure and educates user groups. The costs of these activities are recovered through fees.

The Better Boating Fund (BBF) was established through amendments to the Act in late 2020 and will commence on 1 July 2021. From this date, recreational boating fee revenue will be paid into the BBF. It is intended that funds paid out of the BBF will be used for:

- regulating the recreational boating sector;
- funding Marine Search and Rescue (MSAR) units; and
- providing boating infrastructure and facilities to the public.

Fee revenue from the recreational boating sector was approximately \$31m in 2019-20. 98 per cent of fee revenue was attributable to:

- General marine license fees (approximately \$14.9m);
- Boating Facilities and Safety Education (BFSE) fees for vessels over 4m (from registration) (approximately \$10.6m);
- BFSE fees for vessels under 4m (from registration)(approximately \$3.5m); and
- Endorsed marine license fees (approximately \$1.3m).

Government costs attributable to the recreational boating sector are estimated to be \$11.4m per year comprising \$9.5m for Transport Safety Victoria (TSV) to administer the Regulations and \$1.9 for Emergency Management Victoria to oversee MSAR units. In addition, there is a grants program for recreational boating facilities of \$5m per year. In 2019-20 fee revenue for recreational boating exceeded Government expenditure on recreational boating by about \$14.6m. In the future, under the BBF, all recreational boating fee revenue in excess of the cost of regulating the sector and funding marine search and rescue will be allocated to providing boating infrastructure and facilities to the public.

If the Regulations are allowed to expire without replacement, there would be no funds paid into the BBF and the costs of regulating the sector and operating MSAR units would need to be funded in full by Victorian taxpayers.

Policy Options and Analysis

The Department considers three broad options and five sub-options, which it describes as:

1. Remake prescribed fees without change
2. Restructure fees to achieve full cost recovery for individual marine safety regulatory activities, by:
 - a. recovering the costs of administration for vessel registrations;
 - b. varying the BFSE fee by a factor other than the size of the vessel; and
 - c. new fees to recover the costs of administration of commercial qualifications.
3. Increase fees to generate more funding for future priority boating investments by either:

- a. increasing all fees to achieve targeted aggregate increase in revenue (raising between \$1m and \$10m more revenue); or
- b. increasing aggregate revenue by increase personal watercraft related fees (raising between \$1m and \$1.6m more revenue).

The Department uses Multi-Criteria Analysis (MCA) to analyse the costs and benefits of options and to select the preferred option. The criteria and their relative weights are:

- Efficiency (25%)
- Equity (25%)
- Compliance and Safety (10%)
- Small business and participation (10%)
- Funding priority (10%)
- Feasibility (20%)

The Department's MCA finds that Option 1 is preferred because its greater ease of implementation (reflected in its feasibility score) outweighs its weaker performance in efficiency, equity and the amount of revenue raised (reflected in its equity, efficiency and funding priority scores respectively) compared to the other options.

Implementation and Evaluation

In the RIS, the Department explains that because the proposed Regulations set the same fees as the existing Regulations, it is not expected that there will be significant implementation challenges. The Department is currently consulting on the Victorian Recreational Boating Strategy, which may inform future changes to fees.

In the RIS, the Department commits to commencing a review of fees approximately 12 to 18 months before the expiry of the Regulations in 2031. In addition, the Department will monitor safety outcomes, regulatory costs, transactions, and fee revenue as part of mandatory reporting for the BBF. The first report will be prepared early in 2022-23. The Department notes that if any significant issues are identified in the report, it may conduct an evaluation of the regulatory fees and whether alternative approaches should be adopted. The Department states that it intends to improve data on infrastructure use and injury and accident data to inform future evaluations. The Department also states that it will work with TSV to explore whether there is potential for cost reductions.

Should you wish to discuss any issues raised in this letter, please do not hesitate to contact my office on 03 7005 9772.

Yours sincerely



Anna Cronin
Commissioner for Better Regulation