

Firearms Regulations 2018

Regulatory Impact Statement



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1 Executive Summary

This Regulatory Impact Statement (RIS) has been prepared, with the assistance of KPMG, to fulfil the requirements of the *Subordinate Legislation Act 1994* and to facilitate public consultation on the proposed Firearms Regulations 2018 (proposed regulations).

In accordance with the *Victorian Guide to Regulation* (2016), the Victorian Government seeks to ensure that proposed regulations are well-targeted, effective and appropriate, and impose the lowest possible burden on Victorian businesses, individuals and the community.

A key function of the RIS process is to provide members of the public with the opportunity to comment on proposed regulations before they are finalised. Such public input provides valuable information and perspectives, and thus improves the overall quality of the regulations. An exposure draft of the proposed regulations is provided as an attachment to this RIS.

Public comments and submissions are invited on the proposed regulations and in response to this RIS. All submissions will be treated as public documents.

Written submissions should be provided to the Department by no later than 5.00pm AEST, 25 January 2017. Submissions can be uploaded through the Engage Victoria website at www.engage.vic.gov.au/firearmsregulations or sent to:

Firearms Regulation Review
Police Policy and Governance
Department of Justice and Regulation
GPO Box 4356
MELBOURNE VIC 3001
or by email to: firearmsregulationreview@justice.vic.gov.au

All comments and submissions received by the due date will be considered before the proposed regulations are made.

1.1 Legislative context

Firearms are regulated in Victoria by the *Firearms Act 1996* (the Act). The Act gives effect to the principle that the possession, carriage, use, acquisition and disposal of firearms are conditional on the need to ensure public safety and peace.¹

The Firearms Regulations 2008 (the Regulations), which are made under the Act, are due to expire on 8 April 2018. Among other matters, the Regulations prescribe:

- fees for the issue and renewal of licences and permits granted under the Act and for applications for review of decisions of the Chief Commissioner
- devices that are excluded from the definition of 'firearm'
- the particulars to be entered on firearm dealers' and collectors' registers
- offences in respect of which infringement notices may be issued
- requirements for certain uses of firearms on private land, and
- the manner in which searches without warrant may be conducted.

The Department is in the process of reviewing the Regulations. This process has included:

- considering the objectives and impact of the Regulations,
- consulting with key stakeholders in the industry and the regulator, Victoria Police, and
- preparing a RIS for public comment.

The Department has prepared an exposure draft of the proposed Firearms Regulations 2018 (the proposed Regulations) to accompany this RIS.

¹ *Firearms Act 1996* section 1.

1.2 Uses and risks of firearms

Firearms are used in a number of occupational and recreational contexts, with many Victorians having a genuine reason to own or use them. A number of individuals require firearms for occupational reasons, including in the areas of law enforcement, pest control, primary production, private security and prisons. Other groups derive recreational benefits from the ownership and use of firearms, including those who engage in recreational hunting, collecting, or sport/target shooting.

Due to the inherent characteristics of firearms, they can give rise to a risk of harm to their owners and to the community. A firearm used in an unsafe manner can result in unintended injury, or intentional self-harm. Firearms can also be used unlawfully, for instance to aid in the commission of an offence, in a way that causes harm, injury or death.

Although the evidence indicates that the vast majority of licensed firearm users in Victoria comply with their responsibilities under the Act, and do not engage in unsafe or criminal activity, the risk of harm inherent in firearms justifies regulation to ensure that appropriate controls are placed on who can access them and the circumstances in which they are acquired and used.

The risk of illegal or unsafe use, accidents, theft, or other ways in which firearms might bring harm to the community is what the regulatory scheme for firearms, and the regulatory activity undertaken by Victoria Police, in particular its Licensing and Regulation Division, is intended to mitigate. Further, as the diversion of legally held firearms into the illicit firearms market is a key concern for the community, limiting this diversion is one of the core objectives of the Act and the Regulations.

1.3 Scope of the regulated community

As at 30 June 2017, there were 222,391 current Victorian firearm licences. Of the current licence holders, nearly 90 percent held either only a category B or only a category A longarm licence, with junior licence holders making up the third-largest single class of licence holders at less than 7,000 unique licensees.

The regulated trade in firearms in Victoria is underpinned by licensed dealers who hold one of three classes of licence, each of which requires renewal every three years. These dealers serve an important interface role between Victoria Police and the licensed community. As at 10 September 2017, there were a total of 328 licensed firearms dealers in Victoria.

1.4 Objectives of the proposed Regulations

The vast majority of restrictions and requirements directed at firearms dealers and users are created by operation of the Act, while the regulations generally serve to specify, clarify, or supplement certain requirements imposed by the Act. As a result, there is a relatively narrow scope for making changes to the overarching framework when remaking the Regulations. The provisions of the Regulations can be divided into two categories: those that deal with fees, and those that deal with other matters ('non-fee').

In general, if the Regulations were not remade, the licensing and registration regime established by the Act would continue to control the ownership and use of firearms in Victoria. However, its operation would be restricted in some specific contexts, such as the issuing of infringement notices and the conduct of searches. More importantly, in the absence of the Regulations, no fees could be charged for issuing licences or permits under the Act, meaning that the cost of regulating firearms in Victoria would be covered by the general public through taxation revenue, rather than by firearms users and dealers.

1.5 Impact of the Regulations

The total estimated impact of the aspects of the Act which are in-scope of the Regulations is \$13.8m, which can be itemised as follows:

- the full cost of administering and enforcing the Act and Regulations in 2016–17 was \$13.4m
- the estimated regulatory impact of non-fee Regulations is \$0.4m per annum.

In considering the impact of the Regulations, fee setting is the most substantial component of the Regulations. Non-fee regulations account for only a small proportion of the total impact of the regulations (approximately 3 per cent of the total impact).

1.6 Non-fee options and objectives

Through consultations, groups representing firearms dealers and users generally supported remaking the vast majority of non-fee regulations, with only a few regulations attracting discussion or proposals for change. However, four substantial options were identified as justifying detailed consideration, and

are therefore assessed in detail in this RIS. (Some proposals with a smaller impact are discussed but not fully assessed later in the RIS.) These options operate independently of one another and of the fee options, and as a result are considered separately.

The options considered are:

- **Making handgun chassis kits a prescribed item.** A handgun chassis kit is a frame designed to attach to or around a handgun. A chassis kit can increase the danger posed by any given handgun by altering its operating characteristics, and can also alter a handgun's appearance, to give it the appearance of a submachine gun. Making it a prescribed item would require anyone who wishes to possess such a kit to obtain a permit under section 57 of the Act.
- **Remaking the current list of exempt devices with additions.** Certain devices technically within the definition of 'firearm' are exempted from the operation of the Act by the Regulations. This option would remake the existing list of exempt devices, with the addition of arborist line throwers and dog-training devices as new exempt devices.
- **Setting the maximum fee for a dealer acting as agent in fee units.** The Act provides that licensed firearms dealers may charge no more than the prescribed amount for acting as agent in the sale or purchase of a firearm (that is, in a transfer from one licence holder to another). This option would remake and increase the maximum fee (from \$25 to \$42.66 in 2017–18), but would also set this amount in fee units, which are subject to indexation.
- **Remaking infringement offences and penalties, with additional offences.** Infringement notices can be issued for certain offences in the Act that are prescribed in the Regulations, and this option would retain those currently prescribed. In addition, it would add three new infringement offences: failure to record all required particulars in a dealer's register of transactions (1 penalty unit); failure to securely store a category A or B longarm (2 penalty units); and failure to securely store ammunition for a category A or B longarm (2 penalty units).
- **Updating licence categories and permit fees.** Under this option, dealer licence classes would be modified to be more appropriate to their business needs, by permitting dealers holding a Class 2 licence to sell category C longarms and creating a standalone category of dealer's licence for paintball markers only. This option would also seek to recover additional costs by prescribing fees for the issue of permits under section 130 of the Act and permits to acquire for category D and E longarms.

The overall weighted scores of these options compared against the base case of no such regulations using a Multi-Criteria Analysis (MCA), is summarised in the following table and assessed against the criteria of safety, public peace, regulatory burden and administrative costs.

Table 1: Summary of non-fee options considered

Option	Safety	Public peace	Regulatory burden	Administrative costs	Total
Making handgun chassis kits prescribed items	1.2	0.6	-0.3	-0.2	1.3
Remaking exempt devices list with additions	0.0	-0.2	0.6	0.2	0.6
Setting the maximum fee for dealer acting as agent in fee units	0.3	0.2	-0.3	-0.2	0.0
Remaking infringement offences and penalties, with additional offences	0.6	0.2	0.0	0.4	1.2
Updating licence categories and permit fees	0.9	0.4	0.3	0.0	1.6

Based on the positive MCA ratings for four of the options above, each of these non-fee options is considered to advance the objectives of the Act, the RIS proposes to implement all of them. In relation to the one neutral MCA score (for setting the maximum fee for dealers acting as an agent in fee units), stakeholders supported this approach (rather than not setting a maximum fee at all), and as such, while it does not have a positive MCA score, the Department supports it for inclusion in the remade Regulations.

1.7 Fee options and objectives

As the Regulations set fees for licences, permits and approvals under the Act, allowing them to expire and not remaking them would mean that no fees could be charged. If this occurred, the costs of administering the regulatory framework for firearms licences would be borne by all taxpayers, whether or not they are involved with the use of firearms.

General Victorian Government policy is that fees should be set on a 'full cost recovery' basis. That means that the whole cost associated with regulating an activity is recovered from the individuals that give rise to or increase the need for regulation. In the case of firearms, it means recovering from licensed users the cost of regulatory efforts to reduce the risks posed by licensed firearms in the community.

In administering the regulatory scheme for firearms, Victoria Police undertakes a number of compliance and enforcement activities to reduce the risks to community safety they pose. This includes carrying out licensing and permit assessments, and undertaking with a range of education, monitoring and enforcement activities, such as the inspection of storage arrangements at dealerships and at premises occupied by firearm owners, to ensure they meet the legislated standards.

1.7.1 The recoverable costs of regulation

As noted above, the annual cost of Government activities driven by the Regulations are estimated to have been \$13.4m in 2016-17. This includes costs relating to assessment, monitoring and enforcement. Under full cost recovery, these costs would be recovered from licence holders and others who participate in the industry.

Decisions about licences, permits and approvals under the Act are the responsibility of the Chief Commissioner of Victoria Police. Alongside this, Victoria Police is responsible for enforcing offences committed under the Act.

Costs relating to the regulation of firearms that arise due to the Regulations can be split into two broad categories: costs incurred within Victoria Police's Licensing and Regulation Division (LRD), on the one hand, and costs incurred across other areas of Victoria Police and government, on the other. The most notable cost incurred outside of LRD relates to the costs of Divisional Firearms Officers, who undertake a range of activities relating to the lawful use of firearms, such as storage inspections and safety training. These costs are summarised in Table 2.

Table 2: Summary of recoverable costs

Cost Type	Total Attributable Costs (\$m)
Licensing and Regulation Division Costs	9.3
Non - Licensing and Regulation Division Costs	4.1
Total	13.4

Not all costs incurred by Victoria Police that relate to firearms are included in the recoverable cost base. Activities that are part of general policing, such as the costs of responding to firearm thefts, training to respond to 'active shooter' incidents, and responding to violent crime involving firearms, are not included in the set of costs sought to be recovered from firearms licensees. The reason that these costs have not been included in the recoverable cost base is that while they relate to firearms, for the most part these costs are driven by illegally possessed firearms or criminals more generally. While it is possible that a very small amount of these costs could be attributed to firearms licence holders, it is very difficult to disentangle the costs driven specifically by firearms licensees—therefore, these costs are not sought to be recovered.

1.7.2 Objectives of cost recovery

As noted above, the Victorian Government's *Cost Recovery Guidelines* (2013), published by the Department of Treasury and Finance, state that the Government's default position with regard to the costs of a regulatory scheme is full cost recovery.

In relation to the regulation of firearms, full cost recovery means:

- not seeking that all taxpayers cover the costs associated with regulating the firearms industry and firearms owners, regardless of whether or not they contribute to the need for Government activity in this area, and
- ensuring that fees reflect differences in the extent of necessary regulatory activity conducted by Victoria Police in relation to different user groups. That is, groups that generate a larger amount

of activity by the regulator attract a higher fee, and are not cross-subsidised by user groups whose activities require less regulatory activity.

Although there are grounds for departing from full cost recovery in certain circumstances, the RIS concludes that, in principle, pursuing full cost recovery is warranted for firearms regulation. However, it also concludes, as discussed below, that there may be cause to under-recover in the case of specific licence or permit types that are closely related with positive benefits for the broader community (such as supporting pest control) or achieving other government policy objectives.

1.7.3 Cost recovery under the current fee structure

As noted above, an Activity Based Costing (ABC) conducted in 2017 of the activities undertaken by Victoria Police, particularly its Licensing and Regulation Division, in the regulation of firearms, private security, and weapons in Victoria, estimated that the annual costs attributable to the regulation of firearms were \$13.4 million in 2016–17. Revenue data show that the existing firearm fee scheme recovered \$10.3 million in 2016–17. This under recovery is in large part due to the ‘primary production’ fee waiver. The analysis of the fees also identified a number of cross subsidies between different licence categories.

1.7.4 Approach to setting fees

As noted above, these regulations set fees to recover the costs of processing, providing and regulating licences and permits for firearms. In reviewing the costs of these activities as part of the sunseting process, the Department has sought to set fees that are consistent with the Cost Recovery Guidelines, while also avoiding any substantial increase in individual fees or introduction of any large new fees. The Department’s view is that any substantial increase in individual fees or the introduction of any large new fees would risk increasing non-compliance.

The approach to preparing this RIS has therefore been to:

- have a detailed review of the cost of regulating firearms in Victoria undertaken
- consider what setting fees to fully recover the cost of each regulated activity would involve
- keep current fees or waive fees where the Department has a policy rationale for doing so, and
- limit the increase in all other fee categories to half of the increase that would occur if full cost recovery were pursued, with the reduction in recovery funded by keeping current fee levels for fee categories that would decrease only marginally under full cost recovery.

The outcome of this approach is that the proposed regulations under-recover the total costs of activities associated with licences and permits for firearms because they:

- keep several fees (for junior licences, provisional licences and review of decisions) set at current levels, resulting in the under-recovery of costs of \$640,000 per year
- retain the waiver for primary production licences, resulting in the under-recovery of costs of \$2 million per year
- introduce a new discount for pensioners and the aged, resulting in the under-recovery of costs of around \$430,000 per year, and
- limit any increase in any fee to only half of the increase that would occur if full cost recovery were pursued, resulting in the under-recovery of costs of around \$850,000 per year.

In total, annual revenue falls short of annual costs by around \$3,920,000. This shortfall could be funded either through consolidated revenue (in which case the cost would be borne by all Victorians), or by charging more than the cost of some activities to some firearms users (which would constitute cross-subsidisation between users). Either of these options results in the costs of activities undertaken for some regulated parties being funded by those who do not give rise to or directly benefit from the regulatory activity.

The proposed regulations fund this shortfall through a mix of continued over-recovery for some fees and funding through consolidated revenue.

The activity-based costing for this RIS found that ten different fees are currently set above the cost of a specific activity (see the following table). The level of over-recovery ranged from around \$2 (for an individual licence for a Category A longarm) to \$287 (for a business licence for a Category 1 firearms collector or for an antique handgun collector). Across all ten fees the total amount over-recovered per year is around \$1.31 million. Almost all of this over recovery (approximately \$1.30m) results from over-recovery in relation to category A and B longarm licences.

Table 3: Fees that currently over-recover costs of activities

Activity	Current fee	Cost of activity	Estimated current over-recovery (per licence issued)
Longarm Category A Licence (individual)	\$233.2	\$231.3	\$1.9
Longarm Category B Licence (individual)	\$269.5	\$233.8	\$35.7
Paintball marker Licence (individual)	\$233.2	\$231.3	\$1.9
General category handgun licence – security guard, prison guard, official or commercial purpose (individual)	\$305.9	\$289.5	\$16.4
Category 1 firearms collectors licence (individual)	\$342.0	\$243.1	\$98.9
Category 1 firearms collectors licence (business)	\$677.6	\$392.0	\$285.6
Category 2 firearms collectors licence (individual)	\$408.1	\$257.3	\$150.8
Category 2 firearms collectors licence (business)	\$516.9	\$409.3	\$107.6
Antique handgun collector's licence (individual)	\$342.0	\$243.1	\$98.9
Antique handgun collector's licence (business)	\$677.6	\$392.0	\$285.6

The Victorian Government's Cost Recovery Guidelines emphasise that cross-subsidisation — where one group of users pay more for the cost of the services they receive and the 'surplus' is used to offset the cost of services provided to other users — should generally be avoided. The Department notes that retaining these ten fees at their current level will continue to cross-subsidise other firearms users by around \$1.3 million per year. The Department's view, having consulted with the Department of Treasury and Finance, is this is a reasonable trade-off in support of a proposed set of regulations that move closer to full cost recovery while mitigating the increases in fees. In particular, stakeholders emphasised that they supported forgoing a reduction in fees that were low or affected a small number of people over very large increases in specific fee categories.

The continued over-recovery of \$1.3 million per year from these ten fees, will reduce the revenue shortfall from \$3,920,000 to \$2,610,000. This \$1.3 million will cover the \$850,000 in revenue forgone as a result of limiting any increase in fees, leaving \$450,000 of over-recovered revenue which is notionally allocated to covering some of the cost of keeping fees for junior licences at current levels. Funding any more of the cost of the decisions above (such as the primary production waiver, concessions for pensioners and the aged, and the freeze on the junior licence fee) through further increases in fees would constitute an increase in the existing level of cross-subsidisation which, as noted above, is discouraged by the Cost Recovery Guidelines. For this reason, and in consultation with the Department of Treasury and Finance, the Department proposes to fund the remaining shortfall (that is, the portion of the shortfall not recovered by limited fee increases) out of consolidated revenue. While this means that a substantial portion of the costs of the decisions above will be borne by all Victorians (including those not involved in the lawful, regulated use of firearms), it means that the increase in fees can be limited and waivers/discounts implemented without an increase in the current level of cross-subsidisation. It also means that a fee structure that is closer to achieving full cost recovery can be achieved, while avoiding very large increases in fees for particular categories of firearms users.

1.8 Fee options considered

Drawing on the approach above, two fee options, which reflect a number of distinct choices about how fees are set, are considered in this RIS.

In broad terms, the two options considered are as follows.

- **Option 1:** Modify the fee structure and levels to achieve full cost recovery, remove cross subsidies and waivers, in line with the Activity Based Costing, and introduce an application fee.
- **Option 2:** Modify the fee structure and levels to move towards full cost recovery, but maintain the primary production waiver, keep fees for junior licences, provisional licences and decision reviews at their existing levels, and introduce a discount for pensioners and the aged.

The following table summarises these options and the consequences for revenue and cost recovery of introducing each one.

Table 4: Summary of total projected revenue and rate of cost recovery for each option

	Base case	Option 1: Full cost recovery	Option 2: Partial cost recovery	Current regulations: Partial cost recovery
Total revenue (17/18 \$)	\$0.0 million	\$13.7 million	\$11.1 million	\$10.7 million
Percentage of costs recovered	0%	100%	81%	78%
Multi-criteria assessment	0	3.2	3.5	N/A
Key features of this option	<ul style="list-style-type: none"> • No fees charged • All costs recovered from general taxpayers 	<ul style="list-style-type: none"> • Addresses cross subsidies between licence and permit categories, and between general taxpayers and firearm users • Addresses under-recovery identified through ABC modelling • Introduces an application fee • Eliminates primary production waiver • No contribution from general revenue 	<ul style="list-style-type: none"> • Partially addresses cross subsidies between licence and permit categories • Addresses some under-recovery, but relative to Option 1, this option smooths the impact of large fee increases for certain fee categories by holding fees constant for other fee categories which would have decreased under Option 1 • Maintains primary production waiver • No change in current fee for junior licences, provisional licences and decision reviews (each would have increased by over 100 per cent under Option 1) • Introduces a new 25% discount in fees for pensioners and the aged • Remaining 19 per cent of associated costs funded through consolidated revenue 	<ul style="list-style-type: none"> • Re-make the Regulations without any changes

The RIS and the proposed Regulations proposes to amend fee levels in accordance with **Option 2** as described above.

Option 2 was preferred because:

- As discussed above, this fee structure is closer to achieving full cost recovery than the current regulations, while avoiding very large increases in fees for particular categories of firearms users.

- As a result, it improves efficiency by sending a more direct price signal to licensed users about the cost of their activities, although this price signal is dulled by smoothing, waivers and discounts.
- By partially removing cross-subsidies, it improves the equity of the fee structure between licensed users.
- Waivers and discounts for specific groups are not funded by any increase in the current level of cross-subsidisation.

In relation to efficiency, relative to Option 1, Option 2 dulls efficient price signals by smoothing across licence holders and concessions for older firearms licence holders and certain concession card holders. It also deviates from efficient price signals through maintaining current fee levels for junior licence holders, provisional licensees, applicants for reviews of decisions, and licence holders who receive a primary production fee waiver (which together represent a 19 per cent deviation from full cost recovery).

In relation to equity, relative to Option 1, Option 2 contains a range of cross-subsidies brought about by smoothing, particularly for smaller volume licence categories which would have experienced a large fee increases under Option 1. Option 2 also results in under-recovery for junior licences, provisional licensees, decision reviews, concessions for older firearms holders and primary producers. Shortfalls in cost recovery associated with administering these activities would be funded through a combination of consolidated revenue and over-recovery from selected licence groups.

In relation to alignment with the objectives of the Act, relative to Option 1, Option 2 targets exemptions towards primary producers, and maintains current fee levels for junior licences, provisional licences and decision review fees which is likely to encourage compliant conduct for these key cohorts of shooters and to promote confidence in the assessment process.

In relation to administrative complexity, similar to Option 1, Option 2 requires adjustments to the value of numerous fee categories, but does not require a radical overhaul of the administrative scheme. The perpetuation of the primary production waiver makes Option 2 simpler than Option 1 as it requires no change in practices from Victoria Police or the regulated community.

On balance, Option 2 scores slightly higher than Option 1 through the MCA (a score of 3.5 for Option 2 compared to 3.2 for Option 1). However, given the relatively close results, and the subjective nature of assessments against criteria, this is a marginal decision. On balance, the Department considers that Option 2 is the preferred approach.

A summary of the revised fees under the proposed Regulations, compared to the current fee levels, is set out in Table 5. Fees in this table are set out in dollar terms, calculated using the current value of a fee unit (\$14.22). A complete list of proposed fees is contained in Appendix 2.

Table 5: Summary of comparison between current fees and proposed fees for common fee categories²

Fee category	Current fee	Proposed fee	Percentage change	Standard duration (years)
Longarm category A individual	\$233.2	\$233.2	0%	5
Longarm category B individual	\$269.5	\$269.5	0%	5
Longarm category C individual	\$161.7	\$257.5	59%	3
Longarm category D individual	\$253.4	\$310.4	23%	3
Longarm category E individual	\$253.4	\$310.4	23%	3
Paintball marker licence individual	\$233.2	\$233.2	0%	5
General category handgun licence - sport or target shooting - Individual	\$196.7	\$236.4	20%	3
General category handgun licence - security guard, prison guard, official or commercial purpose - Individual	\$305.9	\$305.9	0%	3
Junior licence - individual	\$52.5	\$52.5	0%	≤3

² Note that the Regulations prescribe fees in fee units, which increase each year by the Treasurer's annual rate. For simplicity, this table compares fees in dollars based on the value of a fee unit in 2017–18. See Department of Treasury and Finance, *Indexation of Fees and Penalties* (updated November 2017), <http://www.dtf.vic.gov.au/Victorias-Economy/Economic-policy-and-guidelines/Indexation-of-fees-and-penalties>.

Fee category	Current fee	Proposed fee	Percentage change	Standard duration (years)
Longarm category A business	\$422.3	\$426.3	1%	5
Longarm category B business	\$422.3	\$426.3	1%	5
Longarm category C business	\$253.4	\$449.4	77%	3
Longarm category D business	\$406.5	\$526.0	29%	3
Longarm category E business	\$406.5	\$526.0	29%	3
Paintball marker licence business	\$422.3	\$426.3	1%	5
General category handgun licence - sport or target shooting - business	\$511.5	\$541.8	6%	3
General category handgun licence - security guard, prison guard, official or commercial purpose business	\$511.5	\$550.0	8%	3
Provisional licence for a member of an approved handgun target shooting club who does not hold a handgun licence, to carry or use a handgun at approved places	\$109.2	\$109.2	0%	≤1
Class 1 dealer licence (individual)	\$1,783.6	\$1,889.1	6%	3
Class 2 dealer licence (individual)	\$1,276.8	\$1,594.6	25%	3
Class 1 dealer licence (business)	\$2,041.7	\$2,124.5	4%	3
Class 2 dealer licence (business)	\$1,783.6	\$1,950.1	9%	3
Paintball marker dealer licence (individual)	\$-	\$950.9	*	3
Paintball marker dealer licence (business)	\$-	\$1,176.2	*	3
Permit to acquire a category A longarm	\$9.2	\$17.6	91%	n/a
Permit to acquire a category B or C longarm	\$9.2	\$19.9	116%	n/a
Permit to acquire a category D or E longarm	\$-	\$19.9	*	n/a
Permit to acquire a handgun	\$51.0	\$60.1	18%	n/a
Permit to acquire a paintball marker	\$9.2	\$17.6	91%	n/a
Approval for handgun target shooting club	\$185.1	\$293.7	59%	n/a
Approval for firearms collectors club	\$185.1	\$293.7	59%	n/a
Review of decision	\$42.7	\$42.7	0%	n/a
Duplicate licence for any of the licences under Schedule 4	\$25.6	\$33.7	32%	n/a

Note: '**' indicates that a fee category is new, and there is therefore no current fee to compare it against.

1.9 Who has been consulted?

In the development of the RIS and proposed Regulations, the Department consulted with a wide range of government and community stakeholders. These consultations generated a large number of potential improvements to the Regulations and information on how the community would be affected by any changes. Some of these suggestions are discussed in the RIS.

The Department consulted with Victoria Police, particularly the Licensing and Regulation Division, which was a key source of data and suggestions for improvement. Other areas of government affected by the Regulations, such as agencies that exercise search powers under the Act were also consulted.

The firearms community was consulted in a number of ways. A Subcommittee of the Victorian Firearms Consultative Committee was formed to consider potential changes to the Regulations and to provide feedback on the analysis of options. A number of stakeholder representative groups, across different parts of the firearms community, were directly consulted, as well as a number of licensed dealers.

Stakeholders consulted also raised a number of suggestions for regulatory change which, as they would require legislative amendment to implement, are outside the scope of this review. They are noted in the body of the RIS.

The Department thanks all those who were involved in the consultation process for their helpful suggestions and commitment to the process.

2 Introduction

Firearms are regulated in Victoria by the *Firearms Act 1996*. Modelled on the resolutions of the National Firearms Agreement, the core principle of the Act is that the possession, carriage, use, acquisition and disposal of firearms are conditional on the need to ensure public safety and peace. Relevant to the Regulations, the Act³ gives effect to this core principle by:

- establishing a system of licensing and regulating the possession, carriage and use of firearms and related items including a system of categorising and registering firearms
- establishing a system of licensing and regulating firearms dealers and manufacturers
- establishing a system of permitting and regulating the acquisition and disposal of firearms and related items
- establishing requirements for the storage and carriage of firearms, and
- establishing the Firearms Appeals Committee (FAC) to hear applications for review of decisions made by the Chief Commissioner of Police under the Act.

Under the Act, the Chief Commissioner of Police is the regulator of firearms and related items with Victoria Police's Licensing and Regulation Division responsible for day-to-day regulatory functions.

The Regulations are made under the Act. As with all other regulations, the Regulations must be consistent with the general objectives of the Act they are made under and require express authorisation in the Act. They cannot contradict the Act.

The Act allows for regulations to be made on a number of matters. The Regulations currently prescribe some of these matters, including:

- fees for the issue and renewal of licences and permits granted under the Act and for applications for review of decisions of the Chief Commissioner
- devices that are excluded from the definition of 'firearm'
- the particulars to be entered on firearm dealers' and collectors' registers
- offences in respect of which infringement notices may be issued
- requirements for certain uses of firearms on private land, and
- the manner in which searches without warrant may be conducted.

The following issues are, however, out of scope for this review, as they are wholly governed by the Act, not the Regulations:

- the requirement that firearms users must hold a licence
- types of licences and permits required to be held
- the requirement that firearms be registered
- the person or body responsible for making decisions about licences and permits (the Chief Commissioner of Victoria Police)
- the information that must be included with a licence application (including the fingerprint requirement)
- the fit and proper person test
- waiting periods
- general and special conditions of licences (including participation requirements for target shooting)
- storage requirements, and
- how firearms (including antiques) are rendered inoperable or incapable of use.

The updated National Firearms Agreement is also out of scope for this review.

³ Section 1.

Under Victorian law, all regulations automatically sunset 10 years after their making, with these Regulations due to sunset on 8 April 2018. The Department, as supported by KPMG, has developed this RIS through:

- defining the objectives and impact of the Regulations
- consulting with key stakeholders in the industry and the regulator, Victoria Police, and
- preparing a RIS.

The Department has prepared an exposure draft of the proposed Firearms Regulations 2018 (the proposed Regulations) to accompany this RIS. The proposed Regulations are attached.

2.1 Requirements of a RIS

Each RIS must meet the requirements of the *Subordinate Legislation Act 1994*, and the *Victorian Guide to Regulation*, including specific requirements for sunseting regulations.

Consequently, the RIS is structured as follows:

- identification of the nature and extent of the problem
- a statement of the objectives of the proposed Regulations
- for fee and non-fee options:
 - consideration and assessment of options for addressing the problem and the identification of a preferred option
 - a cost-benefit assessment of proposed options
- assessment of impact on competition and small business
- an implementation plan and evaluation strategy for the identified preferred option, and
- consultation with affected stakeholders,

2.2 Contextualising the problem

Originally designed as a combat tool for warfare and personal security, the modern use of firearms in Victoria includes both occupational and recreational use. Firearms are used in restricted occupations, such as law enforcement, professional pest control, primary production, private security and prisons. They are used in many recreational pursuits, including game hunting and sporting competitions. They are also of interest to collectors.

The characteristics and capabilities of firearms (namely their ability to discharge a bullet, shot, or other missile with significant force) mean they are capable of threatening or causing serious injury or death. Therefore, while the legitimate use of firearms provides benefits for society, their accidental or deliberate misuse, including their diversion into the illegal market, also poses significant risks. Given their potential for serious harm, the possession, carriage, use, acquisition and disposal of firearms are regulated under the Act.

2.2.1 Risks posed by the use and availability of firearms

Due to the inherent characteristics of firearms, described above, they can give rise to a risk of harm to their owners and to the community. For example, a firearm used in an unsafe manner can result in unintended injury, or intentional self-harm. Firearms can also be used unlawfully, for instance in the commission of an offence, which can result in an increase the severity of harm caused by the crime. There is some evidence that suggest that the use of a firearm in a violent offence is likely to increase the severity of that crime, compared to the severity had no firearm been used.⁴

The available evidence indicates that the vast majority of licensed firearms users in Victoria comply with their responsibilities under the Act, and do not engage in unsafe or criminal activity. This is reflected in research showing that the majority of firearms used in homicides in Australia are illegally owned.⁵ Nonetheless, the risk of harm inherent in firearms justifies regulation to ensure that

⁴ Iain Brennan & Simon Moore, 'Weapons and violence: A review of theory and research' (2009) 14 *Aggression and Violent Behaviour* 215, 218.

⁵ Jack Dearden and Warwick Jones, 'Homicide in Australia: 2006–07 National Homicide Monitoring Program annual report' (2008) *Australian Institute of Criminology – Monitoring Report 01*, 25; Jenny Mouzos, 'The Licensing and Registration Status of Firearms Used in Homicide' (2000) *Australian Institute of Criminology – Trends and Issues Number 151*, 4–5.

appropriate controls are placed on who can access them and the circumstances in which they are acquired and used.

The use of firearms in an unsafe or illegal manner can generate a range of costs for society, both monetary and non-monetary in nature. These include:

- healthcare costs
- pain, suffering, possible disability, and long-term mental suffering of victims
- mental suffering for families, friends, and parties close to victims
- decreased feeling of public safety among the wider community
- justice costs, including investigation and prosecution costs, and
- lost productivity.

Further, even in the absence of illegal or manifestly unsafe use, permitting the possession, circulation, and use of firearms for specific purposes can impose their own levels of risk. For example, accidents involving firearms, such as ricochet injuries in shooting ranges are possible even in the presence of generally good safety standards. Similarly, the risk of diversion to the illicit market, discussed below, also presents risks not associated with the accidental or deliberate use of a firearm by a licensed user.

The risk of illegal or unsafe use, accidents, theft, or other ways in which firearms might bring harm to the community is what the regulatory scheme for firearms, and the regulatory activity undertaken by Victoria Police, is intended to mitigate. The legal framework works together with Victoria Police's compliance and enforcement activity, in order to monitor and manage existing and emerging risks, and to help ensure that the community complies with requirements intended to limit the risk of harm to the community. Because this monitoring and management of risk extends even to compliant licensed firearms users, the possession of firearms, even by compliant, licensed members of the community, generates costs.

2.2.2 Uses and benefits of firearms

Many Victorians have a genuine reason to own and use firearms, which are specified in the Act. People with a genuine reason include private individuals who require firearms for occupational reasons, such as certain private security staff, professional hunters and primary producers. For primary producers, by way of example, firearms represent a key pest control tool and a means to humanely destroy livestock. Government employees, such as law enforcement and prison guards, may also have a genuine reason to possess, carry or use firearms.

Other groups derive recreational benefits from the ownership and use of firearms, including those who engage in recreational hunting, collecting, or sport/target shooting. The Act acknowledges this by recognising recreational shooting (both sporting and hunting) as a genuine reason for which an individual can seek certain types of firearms licence. It also creates categories of licence under which firearms can be collected, but not used.

These uses in turn help generate economic benefits for other classes of individuals involved in firearm-related activities, be it through their sale, repair and maintenance, the sale of ammunition, operation of shooting ranges, provision of training and safety courses, or through a range of other activities associated with the shooting activities or firearms collection.

Some of these activities, including the use of firearms to control pest animals, also have a benefit to the broader community, to the extent that they limit the harm caused by invasive or pest animals.

2.2.3 Illicit firearms and their connection with the legal market

Separately to the harm that can be caused by the accidental or deliberate misuse of legally possessed firearms, the risks posed by firearms possessed illegally are also relevant to an assessment of the problem. Within the regulatory context, this is due to the risk of firearms owned legally being diverted to the illicit market, where there are greater risks associated with firearms being used in the commission of a crime.

In 2016, the Australian Criminal Intelligence Commission (ACIC) conservatively estimated that there were more than 260,000 firearms in the Australian illicit firearms market (250,000 longarms and 10,000

handguns).⁶ The exact extent of the Australian illicit firearms market cannot be determined, because of an absence of historical data prior to the implementation of the National Firearms Agreement in 1996⁷.

The diversion of legally held firearms into the illicit firearms market is a key concern for police and policy makers,⁸ and limiting this diversion is one of the core objectives of the Act. Diversion can occur throughout the supply chain,⁹ meaning that regulation and oversight of the firearm supply chain, from the time of manufacture or import to destruction or legal export, help to reduce the opportunity for diversion into the illicit market.¹⁰ While it is not possible to categorically determine the number of illicit firearms that were sourced through diversion from the legal market, this risk explains the need for regulating firearms transactions and ownership, particularly dealer licensing, recording of transactions and ongoing monitoring and auditing of these transactions. It also partly explains the restrictions that are imposed on the manner of storage, which are intended to reduce the opportunity for theft to occur.

2.2.4 Categories of firearms

Firearms differ greatly in their capabilities and operating characteristics. Firearms are more of a danger to public safety if they are more powerful, can hold more ammunition, or can be easily hidden. For example, an air rifle generally poses a lesser risk of inflicting lethal injury than a 12-gauge shotgun or high-calibre centrefire rifle. The ability of a firearm to rapidly discharge rounds, among a range of other factors, also affects the risk that a firearm may pose if it is misused.

As such, the Act divides firearms into a number of categories based on a range of factors including:

- the type of ammunition used: paintball, air rifle pellet, rimfire cartridge, shotgun shell etc
- the magazine capacity
- the type of operating action, and
- whether a firearm is a handgun or longarm.

Use of data throughout this RIS

Throughout this RIS, data on the volume of licences, permits and approvals is provided in order to give a sense of the size of the regulated population. The data presented in this RIS has been aggregated in order to not reveal the exact numbers of particular licence, permit or approval categories. This is consistent with the exemption of Victoria Police's register from the requirements of the *Freedom of Information Act 1982* (see section 114 of the Act).

For the purposes of calculations (e.g. revenue calculations), data has been used at the most granular level available, and at a more granular level than is presented throughout this RIS.

Table 6 outlines the various categories of firearm regulated by the Act, along with the number of licences and permits to acquire that were issued for that category of firearm in FY 2016/17. The contents of each category are set by the Act. In considering the data below, it is important to understand that a 'licence' is granted to a person (individual or body corporate), whereas a 'permit to acquire' relates to each time a licensed person was allowed to acquire a firearm. In practice, this means that a single licensed person can generate many permits to acquire (for each firearm they acquire).

⁶ Australian Criminal Intelligence Commission (2016) 'Illicit Firearms in Australia', 8.

⁷ Ibid.

⁸ Australian Criminal Intelligence Commission (2016) 'Illicit Firearms in Australia'; Samantha Bricknell, 'Firearm trafficking and serious and organized crime gangs' (2012) *Australian Institute of Criminology Research and Public Policy Series Number 116*.

⁹ Ibid.

¹⁰ The Australian Criminal Intelligence Commission has found that theft is the primary contemporary diversion method (accounting for diversion of 8.5 per cent of firearms traced in 2015-16). The ACIC recently noted that many jurisdictions have reported increasing proportions of firearms being stolen from premises in regional or isolated locations. See Australian Criminal Intelligence Commission (2016) 'Illicit Firearms in Australia', 10.

Table 6: Firearm categories under the Act

Category	Included Firearms	No. of licences issued FY 2016/17 (excluding bodies corporate)	Permits to acquire issued FY 2016/17
Category A Longarm	<ul style="list-style-type: none"> • an airgun • a rimfire rifle (other than a semi-automatic rimfire rifle) • a shotgun (other than a pump action or semi-automatic shotgun) • any combination of a shotgun and rimfire rifle 	Less than 45,000 (5 year duration) ¹¹	
Category B Longarm	<ul style="list-style-type: none"> • a muzzle loading firearm • a centre fire rifle (other than an automatic or a semi-automatic centre fire rifle) • any combination of a shotgun and centre fire rifle • a black powder, ball firing cannon 		
Category C Longarm	<ul style="list-style-type: none"> • a semi-automatic rimfire rifle with a magazine capacity of no more than 10 rounds • a semi-automatic shotgun with a magazine capacity of no more than 5 rounds • a pump action shotgun with a magazine capacity of no more than 5 rounds • a tranquilliser gun 		
Category D Longarm	<ul style="list-style-type: none"> • a semi-automatic rimfire rifle with a magazine capacity of more than 10 rounds • a semi-automatic shotgun with a magazine capacity of more than 5 rounds • a pump action shotgun with a magazine capacity of more than 5 rounds • a semi-automatic centre fire rifle; • any other firearm prescribed for the purposes of this category • any other firearm that is declared under section 3A(1) to be a category D longarm • any other firearm that is declared under section 3B(1)(a) to be a category D longarm 		Less than 70,000
Category E Longarm	<ul style="list-style-type: none"> • a machine gun that is a longarm • a tear gas gun or projector • a shotgun or rifle with a length of less than 75 centimetres measured parallel to the barrel • a mortar, bazooka, rocket propelled grenade or similar large calibre military firearm designed to fire an explosive or projectile or any other similar prescribed firearm • a cannon which is not a black powder ball firing cannon • any other firearm prescribed for the purposes of this category • any other firearm that is declared under section 3A(1) to be a category E longarm • any other firearm that is declared under section 3B(1)(b) to be a category E longarm 	Less than 2,500 (3 year duration)	
General Category Handgun	<ul style="list-style-type: none"> • a firearm that: <ul style="list-style-type: none"> • is reasonably capable of being carried or concealed about the person, or • is reasonably capable of being raised and fired by one hand, or • does not exceed 65 centimetres in length measured parallel to the barrel, 		

¹¹ Maximum licence durations are established in the Act (e.g. refer to section 39). Victoria Police determines an appropriate duration for each licence approval, and in practice, almost all approved licences are granted for the full duration allowable under the Act.

Category	Included Firearms	No. of licences issued FY 2016/17 (excluding bodies corporate)	Permits to acquire issued FY 2016/17
	<ul style="list-style-type: none"> and that is not a category E handgun 		
Category E Handgun	<ul style="list-style-type: none"> a machine gun that is a handgun any handgun prescribed for the purposes of this category any other firearm that is declared under section 3A(1) to be a category E handgun 		
Paintball Marker	<ul style="list-style-type: none"> a firearm that is designed to discharge a paintball 	Less than 200 (5 year duration)	Less than 200

The Act applies to any item that falls within the definition of 'firearm'. The definition has a number of exceptions, as a result of which certain devices are excluded from the operation of the Act. Some exempt devices are described in the Act, namely:

- industrial tools powered by cartridges containing gunpowder or compressed air or other gases which are designed and intended for use for fixing fasteners or plugs or for similar purposes (e.g. nail guns)
- captive bolt humane killers
- spear guns designed for underwater use¹²
- a device, commonly known as a kiln gun or ringblaster, designed specifically for knocking out or down solid material in kilns, furnaces or cement silos
- a device commonly known as a line thrower designed for establishing lines between structures or natural features and powered by compressed air to other compressed gases and used for rescue purposes, rescue training or rescue demonstration, or
- devices designed for the discharge of signal flares.

Other devices are exempted under the regulations, namely:

- certain military cannons or field guns that have been rendered inoperable or for which no ammunition is commercially available
- cannon nets, designed to throw a net to catch animals, and
- certain devices used on radio-controlled model warships.

A more detailed description of the existing exempt devices in the Rregulations is contained in Table 9.

These devices are not free of risk. However, they are substantially different from devices generally considered to be firearms – they have specific commercial or recreational uses, are not readily concealable, and are not designed to fire conventional cartridge ammunition. For these and other reasons, they are considered to pose a lower risk of harm and not to merit classification as firearms.

2.2.5 Scope of the regulated firearms trade in Victoria

As at 30 June 2017, there were 222,391 current Victorian firearm licences.¹³ Of the current licence holders, between 80 and 90 per cent held either only a category B or only a category A longarm licence, with junior licence holders making up the third-largest single class of licence holders, at less than 7,000 unique licensees.¹⁴

The regulated trade in firearms in Victoria is underpinned by licensed dealers who hold one of three classes of licence, each of which requires renewal every three years. These dealers serve an important interface role between Victoria Police and the licensed community. Licensed users who do not hold a dealer's licence cannot acquire, dispose of, or transfer firearms without the participation of a dealer. Dealers are involved in a firearms transaction either by acting as one of the parties to the transaction

¹² Note that spear guns are, however, subject to the *Control of Weapons Act 1990*—see the Control of Weapons Regulations 2011, Schedule 2.

¹³ Victoria Police (2017) *Victoria Police Annual Report 2016-17*, available at http://www.police.vic.gov.au/content.asp?a=internetBridgingPage&Media_ID=132934.

¹⁴ Victoria Police data.

(e.g. sale of a new or used firearm to a customer), or as an agent facilitating activity transfer between two licensed users. Every transaction in which a dealer is involved, either as a party or an agent, must be recorded in that dealer's register. In 2016/17, Victorian dealers recorded **less than 150,000 such transactions** according to data provided by Victoria Police.

Dealer licences are issued in three classes: Class 1, Class 2 and Class 3. Classes 1 and 2 permit the holder to carry on the business of being a firearms dealer in relation to certain categories of firearms, including trading in and hiring firearms, selling ammunition, acting as agent, manufacturing and repairing firearms. The difference between Class 1 and Class 2 is that Class 1 dealers can deal in all categories of firearms, while Class 2 dealers are limited to specific categories. Class 3 permits only repair of firearms and/or sale of ammunition, across all classes of firearms. Each class attracts a different fee, reflecting the scope of activity it allows.

Table 7: Dealer licence classes and number issued FY2016/17 and total population

Dealer Class	Included firearms/services	No. of licences issued in FY 2016/17 (individual and bodies corporate)	Total number of registered dealers as of 10 September 2017
Class 1	Category A,B, C, D, E longarms general category handguns and category E handguns	Over 50	Over 200
Class 2	Category A, B longarms and general category handguns	Over 10	Less than 80
Class 3	Repair of firearms, sale of ammunition, or both	Less than 10	Less than 20
Total		70	328

Certain breaches of the Act or Regulations can be dealt with through the issue of infringement notices and an associated fine, rather than criminal charges being laid. Details of the infringement notices issued under the Act are included in the following table, with the most common offence being possession of ammunition without authority under the Act.

Table 8: Infringement notices issued under the Act 2012/13-2016/17

Offence Description	2012/13	2013/14	2014/15	2015/16	2016/17
Dealer offences					
Failure to ensure label is fixed to firearm in dealer's possession showing a number which can identify the record of transaction or dealing with the firearm in the register of transactions	0	0	0	1	0
Charging more than the prescribed amount for acting as an agent under section 95 or 96 of the Act	0	0	0	1	0
General offences					
Possession of ammunition without authority under the Act	15	19	15	18	16
Possession of ammunition which is not suitable for category of firearms which person (other than person who is holder of firearms ammunition collectors licence) is licensed to possess, carry or use	0	0	0	0	1
Failure by holder of licence or permit to notify Chief Commissioner in writing of change of address on licence within 14 days after change occurs	11	21	9	14	7
Total	26	40	24	34	24

Source: Crime Statistics Agency

Victoria Police also issue cautions for offences under the Act for which neither an infringement notice or the laying of formal charges is considered appropriate. In 2016/17, 21 such cautions were issued.

2.3 Base case

As outlined in the Victorian Guide to Regulation, the 'base case' describes the legal position that would exist in the absence of the proposed regulations. Establishing the base case is a necessary step in order to allow an assessment of the incremental costs and benefits of the proposed regulations. For the purposes of this document, the base case is a situation in which the Act continues to operate, but the existing regulations sunset (i.e. expire) and no new regulations are made in their place.

Summary: Relationship between the Act and the existing regulations

The vast majority of restrictions and requirements directed at firearms dealers and users are created by operation of the Act, while the regulations generally serve to specify, clarify, or supplement the requirements imposed by the Act. In addition, the Victorian Government is committed to ensuring the Act remains consistent with the updated 2017 National Firearms Agreement and the National Firearm Trafficking Policy Agreement, and this will remain so even in a base case scenario.

As such, there is a relatively narrow scope for making changes to the overarching framework when remaking the Regulations.

Table 9 outlines how the existing regulations support the operations of the Act and what would happen if the existing regulations were to sunset.

In general, in the absence of the remade regulations, the licensing and registration regime established by the Act would continue to control the ownership and use of firearms in Victoria but a number of features of the existing regulatory regime would be missing, and the regulatory scheme would operate less effectively. For example:

- a number of safety restrictions would be absent, such as rules applying to the suppression of pest animals on primary production land and to target shooting on private land (these are detailed in Table 9 below)
- important details used to monitor the possession and movement in firearms would not be recorded, such as the particulars to be included in firearm dealer and collector registers
- there would be fewer legislative controls on the manner in which warrantless searches for firearms under the Act can be carried out.

Other details prescribed by the regulations include which organisations representing shooters may nominate individuals to sit on the Firearms Appeals Committee,¹⁵ and what devices should be exempt¹⁶ from being treated as firearms under the Act.

Importantly, the absence of the remade regulations would mean that no fees could be charged for issuing licences or permits under the Act, meaning that the cost of regulating firearms in Victoria would be covered by the general public through taxation revenue, rather than by firearms users and dealers.

Table 9: Base case: Operation of the Act with and without the Regulations

Topic	Relevant Section of the Act	Requirements of the Act and Existing Regulations	Base case: Operation of the Act without the Regulations
Fees	Multiple	The current regulations prescribe fees for activities undertaken under the Act, including the issue and renewal of licences, the issue of duplicate licences, the issue of permits, the granting of approvals, or the undertaking of a review of a decision made by the Chief Commissioner.	Without the remade Regulations, there would be no prescribed fees for applications made under the Act. Despite this, the regulatory regime, including the issuing of licences and enforcement activities would need to continue, as required by the Act. In

¹⁵ This committee handles applications for review of certain decisions made by the Chief Commissioner in relation to firearms.

¹⁶ It is important to note that given the framework established by the Act, there is very limited scope to exempt devices under the Regulations. The Act sets out a general definition of a firearm, and then prescribes a limited set of exempt devices, such as a spear gun for underwater use, a device designed for the discharge of signal flares. The Regulations can set further exempt devices that do not fit the definition of a firearm, however, the Department assumes that the Act sets the precedent for the type of devices which could be exempted from the definition of a firearm, that is, lower risk items which have a specific accepted use.

Topic	Relevant Section of the Act	Requirements of the Act and Existing Regulations	Base case: Operation of the Act without the Regulations
		<p>Fees have by far the largest impact on industry participants of all requirements in the Regulations.</p>	<p>this case, and in the absence of an alternative solution, the costs involved in maintaining the regulatory regime for firearms would need to be borne by Victorian taxpayers as a whole.</p>
Control of pest animals	Schedule 2 Item 2(1)(b)(i)	<p>The Act outlines a number of legal uses of Category C longarms. One of the legal uses outlined is the suppression of pest animals by primary producers on another primary production property.</p> <p>The current Regulations prescribe that, where a category C longarm is used for such a purpose, the firearm must not be discharged within 250 meters of a dwelling or 100 meters of a public road.</p>	<p>In the absence of the Regulations, there would be no prohibition against discharging a firearm close to dwellings or roads in a way that could put the public at risk.</p> <p>This could potentially lead to greater nuisance for residents where firearms are being discharged close to residence, and potentially unsafe shooting practices if firearms are more commonly discharged in proximity to roads.</p>
Dealers register of transactions	Section 87	<p>Under the Act, licensed dealers are required to record details of any firearms that comes into or out of their possession, or for which they act as an agent in an acquisition or disposal. These details include:</p> <ul style="list-style-type: none"> • the make, type, calibre, action, serial number and model (where known) of the firearm involved • the relevant permit to acquire, and • the licence number or other evidence of a person's authority to possess the firearm. <p>The current Regulations provide that the licensed dealer must record the following details, in addition to the details prescribed by the Act:</p> <ul style="list-style-type: none"> • inventory/stock number • date acquired • magazine capacity • licence category • reference number • purpose for which acquired/particulars of permit to acquire • name and address of persons purchasing or disposing of firearm, and • the particulars of any work done by the dealer (if relevant). 	<p>In the absence of the Regulations, dealers would still be required to maintain a register of transactions as required by the Act, however they would not be required to record the prescribed particulars.</p> <p>This would reduce the ability of Victoria Police to monitor and trace firearms. It would also remove a source of information that can be examined for details of people acquiring or disposing of firearms when this information becomes relevant to an investigation.</p> <p>Finally, it provides a source of information against which a dealer's stock and reported activities can be reconciled, allowing official records to be verified and dealer compliance to be assessed. The information provided allows Victoria Police to trace the movement of individual firearms (for example, where a firearm may have been diverted to the illicit market or misused). Without the prescribed particulars, it would not be possible to adequately monitor or enforce compliance.</p>
Firearms collectors register	Section 24	<p>The Act requires that holders of firearms collectors licences must keep a register of firearms held under their licence.</p> <p>The current Regulations prescribe particulars which must be entered into this register. These presently include (depending on the type of transaction):</p> <ul style="list-style-type: none"> • the make, type, calibre, action, serial number, and magazine capacity of the firearm involved; • date of acquisition or disposal; • licence category; • reference number; 	<p>In the absence of the Regulations, collectors would be required to maintain a register of firearms held under their licence, but there would be no guidance as to the details this register would need to include.</p>

Topic	Relevant Section of the Act	Requirements of the Act and Existing Regulations	Base case: Operation of the Act without the Regulations
		<ul style="list-style-type: none"> name and address of the relevant firearms dealer; and name and address of the person from whom the firearm was acquired or to whom the firearm was disposed of (where not a dealer). 	
Fees charged by dealers for acting as agent	Section 97	The Act provides that licensed firearms dealers must not charge more than a prescribed amount when acting as agents for the acquisition or disposal of firearms by third parties under Section 95 or 96 of the Act. The current Regulations prescribe this amount at \$25.	In the absence of the remade Regulations, the maximum amount that could be charged would not be prescribed. Dealers would be free to charge an amount of their choosing for acting as an agent in transfers under Section 95 or 96 of the Act.
Searches of persons or vehicles under the Act	Sections 149, 149A, 153A and 153B	<p>The Act empowers police and certain other authorised officers to undertake warrantless searches of persons, vehicles, packages and things under certain circumstances, using powers contained in Sections 149 and 153A of the Act.</p> <p>The current Regulations set out the manner in which these searches must be carried out, which can include:</p> <ul style="list-style-type: none"> the use of a metal detection device passing of a hand over the person's clothing requesting the removal of outer clothing, gloves, shoes and headgear and its subsequent search, and examination of a vehicle, package or thing <p>Searches must also:</p> <ul style="list-style-type: none"> afford reasonable privacy to the person being searched be as quick as practicable, and be conducted, where practicable, by an officer of the same sex as the person being searched. <p>The Regulations also provide that, where a student is searched at school, the search process must also allow for an adult on the school premises to be present during the search.</p> <p>Finally, sections 149A and 153B of the Act provide that an officer who conducts a search must make a written record of the search. The Regulations prescribe particulars that must be contained in the record.</p>	<p>In the absence of the remade Regulations, there would be fewer legislative controls on the conduct of searches under sections 149 or 153A.</p> <p>Although searches under these provisions would be subject to the <i>Charter of Human Rights and Responsibilities Act 2006</i>, the specific requirements that searches be as quick as practicable and afford reasonable privacy to the person being searched would not apply. As such, without the regulations, it is possible that searches would be conducted in a way that was less consistent. Without the Regulations, Victoria Police officers would be have to make judgements on a case-by-case basis about whether their conduct was generally in keeping with the <i>Charter of Human Rights and Responsibilities Act 2006</i>.</p> <p>There would be no requirements as to the contents of the written record of a search.</p>
Prescribed infringement offences and applicable penalties	Sections 168 and 170	<p>The Act provides that an infringement notice may be issued in relation to any prescribed offence.</p> <p>The current Regulations prescribe the offences for which infringement notices can be issued. They also prescribe the applicable infringement penalties for those offences.</p>	<p>In the absence of the remade Regulations, it will not be possible for any offences in the Act to be dealt with by infringement notice.</p> <p>Always having to enforce minor offences through court action is generally more costly for both parties involved, and may result in police choosing not to take any</p>

Topic	Relevant Section of the Act	Requirements of the Act and Existing Regulations	Base case: Operation of the Act without the Regulations
			<p>enforcement action in the case of more minor offences (due to the cost and scale of the penalties involved). Only allowing Victoria Police to pursue high-cost enforcement mechanisms may decrease the amount of enforcement activity that can feasibly be undertaken by Victoria Police (within its efficient allocation of resources), which could reduce the public perception of repercussions arising from non-compliance.</p> <p>This could in turn reduce the effectiveness of Victoria Police's enforcement activities.</p>
Exempt devices	Section 3	<p>The Act includes a definition of the term 'firearm', stating that it does not exclude a device in any prescribed class.</p> <p>The current Regulations prescribe a number of specific devices as being outside the definition of firearm, including:</p> <ul style="list-style-type: none"> • devices intended to throw nets to catch animals (commonly known as cannon nets) • model warship compressed air cannons with limited calibre and muzzle velocity, and • any cannon or field gun with a calibre greater than 25 millimetres, which has been rendered permanently inoperable or for which fixed ammunition is not commercially available. 	<p>In the absence of the remade Regulations, these devices would fall within the definition of a firearm under the Act. This would have a range of impacts including:</p> <ul style="list-style-type: none"> • the commercial impact on the market for devices such as cannon nets, which would require a firearms licence to be owned or operated, and • an increase in regulatory burden and administration costs as holders of presently exempt devices are brought under regulation of the Act. <p>It is possible that if people required a licence for these activities, they might cease the activity (or limit its frequency), or continue to undertake the activity while being non-compliant with the requirements of the Act.</p>
Firearms Appeals Committee	Section 155	<p>Section 155 Act requires that three of the 13 members of the Firearms Appeals Committee must be appointed from a list of four names submitted to the Minister by each of the bodies prescribed for the purposes of this section, being bodies which are, or which represent, shooting organisations.</p> <p>The current Regulations prescribe the Shooting Sports Council of Victoria and the Victorian Amateur Pistol Association as bodies representing shooting organisations for the purposes of Section 155.</p>	<p>In the absence of the remade Regulations, there would be no prescribed organisations for the purposes of section 155, making it impossible to fully constitute the 13-member Firearms Appeal Committee, as currently envisaged by the Act.</p> <p>While it would still be possible for the FAC to convene divisions of itself to hear applications for review in this scenario, it would leave the FAC less representative of shooting groups, though it would still be possible for the FAC to convene a division of itself to hear applications for review.</p>
Shooting on private property	Schedule 2 Items 1(5A), 2(2)(c) and 4(2A)	<p>The Act provides that licensed individuals may carry out sport or target shooting activities on private land (that is not an approved shooting range), if they do so in accordance with the regulations.</p> <p>The current Regulations set out limitations applying to the conduct of sport or target shooting activity on private property, including:</p> <ul style="list-style-type: none"> • if more than five persons take part and it is carried on for more than 	<p>In the absence of the remade Regulations, there would no longer be specific restrictions applying to the conduct of target shooting on private land.</p> <p>Without these restrictions, large target shooting activities on private property could be undertaken for financial benefit, be formally advertised, and without the safety provisions prescribed in the Regulations. This could allow the</p>

Topic	Relevant Section of the Act	Requirements of the Act and Existing Regulations	Base case: Operation of the Act without the Regulations
		<p>three hours then local police must be notified</p> <ul style="list-style-type: none"> • a firearm cannot be discharged unless the target at which it is aimed has a backstop capable of stopping the round within 20 meters behind the target • firearms may not be discharged within 250m of a dwelling without permission, or within 100m of a public road • firearms may only be discharged while the user is stationary • the activity may not take place between sunset and sunrise • the activity may not be advertised, formally organised, or scheduled • no person taking part may receive direct or indirect financial benefit from any other person as payment for taking part in the activity, and • participants may not consume or be under the influence of alcohol or a drug during the activity. 	<p>operation of unofficial ranges or large-scale commercial shooting competitions taking place outside of regulated ranges, where more rigorous safety standards, accreditation and inspection requirements apply. Given the Regulations are in place, it is not possible to make a judgement on the likely prevalence of any such shooting activities in the absence of the Regulations.</p> <p>In addition, were police not to be notified of large, lengthy target shooting activities on private land, police would not be able to appropriately respond to queries or complaints from the public about these activities. For example, the police may not receive information that would allow it to assure members of the public that shooting activity relates to sporting events (e.g. where an emergency call was made regarding suspect or unusual activity).</p> <p>That is, the absence of the remade Regulations could pose both a threat to public safety and to public peace, if controls on approved ranges are undermined.</p>
Purposes for applying for licences	Sections 10(1)(e), 13(1)(a), 15(1)(c)	<p>The Act sets out a number of reasons for which the Chief Commissioner may choose to grant different classes of firearms licence and provides that further purposes may be prescribed by regulation.</p> <p>The current Regulations establish that the Chief Commissioner may also issue licences to applicants for reasons including:</p> <ul style="list-style-type: none"> • public ceremonial events, • starting or finishing sporting events • historical re-enactments • training and trialling gundogs 	<p>In the absence of the remade Regulations, the reasons for which licences could be granted to applicants would be limited to those contained in the Act.</p> <p>This would mean that those persons and organisations that are currently able to apply for firearms licences in order to, for example, participate in historical re-enactments, train and trial gundogs, or to start or finish sporting events would no longer be able to rely on those activities to support an application for a firearms licence. This may impact the individuals involved in these activities and would limit the circumstances in which licences can be issued.</p>
Specified classes of handguns	Section 16	<p>The Act provides that holders of handgun target shooting licences must compete in a number of handgun target shoots and/or approved handgun target shooting matches every calendar year in order to maintain their licence.</p> <p>The Act specifies that the number of matches increases based on the number of specified classes of handgun the licensee possesses (with handguns not covered by a prescribed class constituting a single 'general' class), with participation also required for each class of handgun owned.</p>	<p>The Act would continue to require that the holders of handgun target shooting licences must compete in a number of handgun target shoots or target shooting matches every calendar year in order to maintain their licence.</p> <p>All handguns would however be classified in the 'general' class for the purposes of section 16.</p> <p>As such, the minimum standard of 10 target shoots or matches per year would apply to all handgun target shooting licences, and there would</p>

Topic	Relevant Section of the Act	Requirements of the Act and Existing Regulations	Base case: Operation of the Act without the Regulations
		<p>As a result, the Act specifies that an owner of only one class of handgun must compete in 10 shoots or matches per year, while a holder of three specified classes must compete in at least 12 target shoots or matches, include at least four for each specified class of handgun held.</p> <p>The current Regulations create four prescribed classes of handgun within the 'general' class, namely:</p> <ul style="list-style-type: none"> • air handguns • rimfire handguns • centrefire handguns with a calibre of .38 inches or less <i>or</i> black powder handguns, and • centrefire handguns with calibres greater than .38 of an inch but not more than .45 of an inch. 	<p>be no requirement that any number of these be with different types of handgun. A holder of a handgun target shooting licence could therefore own, for example, a handgun firing 9mm centre fire ammunition despite only ever shooting an air handgun in competition.</p> <p>This would run contrary to the principles in the Act whereby firearms should only be held for a genuine reason, by allowing individuals to hold more handguns than are required for their competition needs. It would also be undermine the clear intention of section 16, which links participation requirements to the classes of handgun owned.</p>

3 Non-fee-related decisions

The total estimated impact of the regulations is \$13.8m, and the estimated impact of each component of the Regulations are as follows:

- Fees: The full cost of administering and enforcing the Act and Regulations in 2016–17 was \$13.4m
- Non-fees: Estimated indicative regulatory impact of non-fee Regulations is \$0.4m per annum.

The indicatively estimated impact of the non-fee options is a very small proportion of the total impact of the regulations (equivalent to 3 per cent of the total impact of the Regulations of \$13.8 million per annum – 97 per cent of which is driven by the fee-related regulations). However, to assist with the flow of reading this document, the non-fee options are outlined first in this section, and the fee-related options are outlined subsequently in Section 4).

In considering the impact of the non-fee Regulations, the analysis in this section has been developed in keeping with guidance from the Victorian Guide to Regulation which notes that ‘it is expected that the depth of analysis, and subsequently the resources used in impact assessment are proportionate to the size of the impact of the regulatory/legislative proposal being assessed’.¹⁷

3.1 Non-fee-related objectives and criteria

The proposed regulations not related to fees are evaluated by comparing each proposed regulation and the base case, to determine which is more likely to achieve the Government’s objectives.

As for the fee-related options, in assessing and comparing options, a multi-criteria analysis (MCA) has been used to measure the relative strength of each option. The MCA process is explained in section 4.7 below. Based on the Government’s objectives in remaking the Regulations, the criteria that will be used to assess the non-fee-related options in this RIS are:

Safety: The extent to which the option is expected to advance the safety objective of the Act, over and above the base case. For the purposes of this RIS, safety refers to the prevention of physical and psychological harm directly resulting from the accidental or deliberate misuse of legally owned firearms.

Public peace: The degree to which the option is expected to advance the public peace objective of the Act, over and above the base case, by strengthening public perceptions of the risks posed by firearms. For the purposes of this RIS, public peace refers to the prevention of non-physical (psychological and emotional) harm resulting from perceptions about the risks of harm from firearms.

Regulatory burden: The degree to which the option imposes compliance costs, burdens or restrictions on the regulated community over and above the base case, for example, related to additional reporting or distorting the behaviour of regulated entities. A measure that is highly burdensome compared to the base case would attract a negative score, while one that reduces the regulatory burden relative to the base case would attract a positive score. Restrictions may include non-financial costs associated with compliance (being unable to engage in and enjoy one’s recreational pursuits due to safety restrictions, for example, would be an example of regulatory burden).

Administrative costs: The degree to which the option creates administrative costs for Government bodies. An option which requires a significant number of FTE to effectively administer would, for example, attract a significant negative score by this measure. An option which reduces administrative costs relative to the base case would receive a positive score. It is important to note that, throughout this section, this criterion is only relevant to those administrative costs created by non-fee related options, and that any changes in administrative costs arising solely due to choices made in setting fees are separately analysed in the section on fee-related options (and not counted twice).

The Victorian Guide to Regulation states that equal weighting should apply to benefit-related criteria and cost-related criteria, so that anticipated benefits and costs of the particular option can be assessed neutrally. Drawing on this, it is proposed that a 50 per cent weighting apply to the sum of all benefits and a 50 per cent weighting to the sum of all costs, as follows:

Safety, being the primary benefit advanced by the Act, is accorded a **30 per cent** weighting.

As public peace is regarded as the second benefit advanced by the Act, this criterion is given a weighting of **20 per cent**.

The regulated community and government represent the two key stakeholder groups that would be impacted by any change to the framework. While the cost impact on both is important, the burden on

¹⁷ Commissioner for Better Regulation, *Victorian Government Guide to Regulation* (2016) 5.

the regulated community is likely to have a more substantial impact on the successful adoption of the Regulations, and has been assigned a slightly higher weighting of **30 per cent**. Administration costs to government have been assigned a **20 per cent** weighting.

The following table summarises the above MCA weightings to be used for the assessment of non-fee-related options.

Table 10: MCA assessment table

Criterion	Weighting
Safety	30%
Public peace	20%
Regulatory burden	30%
Administrative costs	20%

For the purposes of clarity, it is important to note that the non-fee-related options analysis includes different criteria to the analysis of fee-related options. An important area of overlap is that in the fee-related options, one of the criteria is named 'alignment with objectives of the Act', and this overlaps with the two criteria in the non-fee options analysis section that are separately named 'safety' and 'public peace'. The reason to list safety and public peace separately in this section is that there are several options considered where the option only has an impact on safety or public peace, rather than both – and separately listing the criteria allows the reader to isolate where this impact is likely to occur.

3.2 Non-fee-related options and assessment

In considering the impact of the Regulations, fee setting is the most substantive component of the Regulations. Non-fee related regulations account for only a small proportion of the regulatory burden created by the Firearms Regulations.

As previously indicated, the overall compliance costs associated with the non-fee options is indicatively estimated to be \$0.4m per annum (3 per cent of the total cost of the Regulations). The following table summarises the non-fee option components which have been used to derive the indicative estimate of compliance costs. Given the non-substantial and non-controversial nature of the majority of the provisions in the non-fee components of the Regulations, it is proposed that the bulk of the non-fee related regulations of the existing regulatory regime be remade unchanged. In general, these Regulations are considered not to be substantial because they relate to activities with very small volumes, or prescribe details which give operation to activities that occur under the Act. For example, the Act establishes a range of activities that inter-state licence can undertake (e.g. dealers can acquire firearms from inter-state licensees in certain circumstances), and the Regulations prescribe the states which are considered to be states for this purpose.

Table 11: Components of non-fee regulatory impact indicative estimates

Component of non-fee regulations	Indicative estimate of compliance costs (\$m)
Particulars to be entered on a firearm dealers register ¹⁸	0.392
Particulars to be entered on a firearms collectors register ¹⁹	0.006
Conduct of shooting on private property ²⁰	0.001
Total	0.399

Through consultations, firearms stakeholders generally supported remaking the vast majority of non-fee regulations, with only a few regulations attracting discussion or proposals for change.

¹⁸ Estimated based on 165,949 instances per annum of recording particulars, and an average of 7.5 minutes required per transaction. This average covers records of transactions involving firearms received by a retailer from a wholesaler, firearms sold to retail customers, firearms transferred between licensees, firearms sold by a wholesaler, firearms received for storage and so on, time estimates for which varied between a few seconds to 15 minutes. Only 40 per cent of this overall time is considered to be attributable to the Regulations, given that the Act requires that a register be kept and that certain particular be recorded, and that this regulation only requires certain additional details be kept.

¹⁹ Estimated based on 963 affected firearms collected, four instances per annum of recording changes, and five minutes required per change.

²⁰ Estimated based on 12 instances per annum of being affected by the Regulation, and 30 minutes required per instance, with three people being affected per instance.

Under the base case, the Regulations would sunset and a number of minor requirements which give operation to provisions of the Act would no longer be in effect. Discussion regarding how the various components of the Regulations would operate under the base case are listed in section 2.3 above. A number of other minor proposed changes which were not considered complex or contentious enough to require a full MCA are listed in section 8.3 and Appendix 1, along with the reasons supporting their inclusion in or omission from the exposure draft of the regulations.

However, five options were identified as justifying an MCA and have been assessed in the following section:

- making handgun chassis kits a prescribed item, requiring a permit to be obtained under section 57 of the Act;
- remaking the current list of exempt devices, and listing line throwers and dog-training devices as new exempt devices;
- remaking the maximum amount that a licensed firearms dealer may charge when acting as an agent, but setting this amount in fee units;
- remaking infringement penalties in the current regulations, and the associated schedule of offences for which infringement notices can be issued, and adding further prescribed offences; and
- updating licence categories and permit fees.

3.2.1 Non-fee Option 1: Prescribing handgun chassis kits as a prescribed item, requiring a permit to be applied for under section 57 of the Act

Description of Option

Under section 57 of the Act, a non-prohibited person must not possess carry or use a silencer or prescribed item without a permit issued by the Chief Commissioner. The section is intended to allow regulation of items other than firearms that increase the risk to safety and public peace posed by a firearm.

A handgun chassis kit is a frame designed to attach to or around a handgun. A chassis kit can increase the danger posed by any given handgun by altering its operating characteristics to allow for fire which may be more accurate, rapid, or controllable. It can alter a handgun into a 'carbine' style configuration, often including a stock which allows the firearm to be secured against the shoulder while shooting. It can also alter a handgun's appearance, to give it the appearance of a submachine gun.

Under the base case, there would be no prescribed items for the purposes of section 57 of the Act, and so handgun chassis kits could continue to be traded in or possessed without regulation under the Act.

Under the base case, these kits are unregulated, and a person can possess, carry or use one without any form of permit. They can also be purchased without any form of prior approval, potentially allowing individuals with illicit firearms to legally source these kits.

Under the proposed option, handgun chassis kits would be included in the regulations as prescribed items as per section 57 of the Act. This would mean that in order to legally possess, carry or use a chassis kit, an individual or company would need to obtain a permit from the Chief Commissioner under section 57 of the Act. Individuals who currently own chassis kits would be required to either dispose of them or to seek a permit in order to retain them.

Rationale for considering Option

Handgun chassis kits have the capacity to convert a general category handgun into a category D or E firearm, or to give it a more militaristic appearance. Allowing for the easy (and reversible) conversion of handguns into category E firearms would undermine the intention of the Act that licensees should, insofar as is possible, be constrained to accessing the categories of firearms they are licensed for.

Chassis kits can alter the operating characteristics of a handgun to be substantially outside those normally associated with handguns, potentially increasing the risk they pose if misused. These dangers include:

- Conversion into a carbine style configuration: Adding features such as a stock (and potentially a foregrip) to a handgun using a chassis kit can give it handling characteristics closer to that of a semi-automatic carbine than a handgun. A stock provides a point of stability against the shoulder which can help enable more rapid and accurate fire, particularly at longer distances.
- Addition of rail mountings: Rail mountings are mounting platforms made up of rails with multiple transverse slots that can be used to mount accessories to firearms. If a chassis kit adds additional

rail mounts to a handgun, these can be used to support a wider variety of optics, aiming aids, and accessories (including grips) than a handgun frame could usually practically support. These features may substantially change the functionality of a handgun.

Under the base case there would be no need to be a licensed firearms user in order to purchase these kits. Their increased use by criminals, legal shooters, and even their display by non-shooters (these devices could be freely sold outside of gun stores) has associated implications for safety and perceived risk of harm.

Victoria Police consider that chassis kits pose a threat to public safety because they allow for the conversion of a traditional looking handgun into a firearm which may have many of the characteristics of a higher risk, and therefore more tightly regulated, class of firearms.

Owning a handgun in Victoria requires an applicant to show a genuine reason to own a handgun. None of the accepted genuine reasons in Victoria are compatible with the use of a chassis kit under ordinary circumstances. Their use is widely prohibited in sporting and target shooting and there are no approved handgun competitions that require their use. There are no security organisations that are currently approved to use them. Despite this, Victoria Police is aware of licensed firearms owners expressing or demonstrating an intention to obtain these kits for use at approved ranges, a fact which has influenced the proposed restriction of these kits. Victoria Police estimate that if this proposal were successful, there would be less than 12 applications for chassis kits received per annum.²¹

Firearms stakeholders consulted in the development of this document supported this proposal. However, they noted that Chief Commissioner may, in future, consider issuing a section 57 permit for a chassis kit if evidence is provided that the kit is required for an individual with a disability to more safely and easily handle their firearm. Doing so would not require any changes to the proposed regulation.

Listing chassis kits as prescribed items would prevent individuals accessing these kits to potentially illegally alter their firearms and reduce the ability of unlicensed persons to use the kits to increase the lethality of an unregistered handgun or to make its appearance more threatening. It would also allow the Chief Commissioner to grant permits for their use where appropriate, if legitimate uses are identified. This treatment is consistent with that currently given to other prescribed items such as silencers, which have the capacity to be misused but for which permits are sometimes granted where a legitimate use is identified.

The introduction of this option would not prevent a licensed handgun user from attaching mounts and accessories to a handgun for legitimate purposes. Only chassis kits that alter the appearance of the handgun to resemble a machine gun or longarm, would require a permit under this proposal. In practice, Victoria Police's firearms experts would make decisions about whether a chassis kit changes the appearance of a handgun in this way. In relation to public peace, the key consideration is whether a chassis kit appears to have a different (more powerful) functionality, whereas in relation to safety, the key consideration is whether the chassis kit actually has a different (more powerful) functionality.

Evaluation of Option

Safety: As discussed above, chassis kits can increase the danger posed by any given handgun by altering its operating characteristics to allow for fire which may be more accurate, rapid, or controllable, than would otherwise be possible without the use of such a kit. Under the base case, those desiring to misuse their firearms, including holders of illicit handguns, can freely source these kits.

Prescribing chassis kits would decrease the prospect of these kits being sourced by those that may misuse firearms. While it may not completely eliminate the risk of these kits being misused, it is likely to make their acquisition more difficult for those with no legitimate reason to possess them. The Department understands that a number of these kits are present in Victoria.

In considering an MCA score for this option against the safety criteria, a positive score was considered to represent the improvement in safety that would flow from limiting the inappropriate access of a large number of firearms users to considerably higher-risk firearms. This option, which restricts access to chassis kits (in practice, this would affect a moderate number of people, given that it would limit both criminal access to these kits, and would also affect the subset of handgun licensees who use or wish to use chassis kits), would result in a moderate decrease in the risk associated with a licensed handgun. As such, it has been scored as a 4 out of 10 for improvement in safety.

Public peace: As discussed, chassis kits have the potential to increase the danger posed by a handgun equipped with such a kit, and also to provide them a more intimidating and militaristic appearance. Under the base case, there would be no need for a person to be a licensed firearms user to purchase or possess these kits. Their increased use by criminals, legal shooters, and even their

²¹ Victoria Police data.

display by non-shooters (these devices could be freely sold outside of gun stores) could increase the perceived risk of harm associated with the potential misuse of firearms. As such, under the base case, these items would be more freely available, increasing the risk of intimidation of the public or disruption of public peace. As few permits are expected to be granted if the item is prescribed, the prescription of these kits is expected to lead to the possession of fewer kits than under the base case, therefore having a positive impact on public peace. The change will also mean that the kits will only be legally sold by licensed gun dealers.

Regulatory burden: Relative to the base case, this option would impose a regulatory burden on those seeking to acquire a handgun chassis kit in the form of a requirement that they make an application to the Chief Commissioner and pay the appropriate fee should their application be approved. It would also require existing owners of the kits to obtain a permit for their kits or dispose of them. Given the lack of known legitimate reasons under the Act to purchase these kits, the Department expects the number of applicants for such permits to be low. A score of -1 has been assigned to represent this small increase in the regulatory burden. There would be no increase in the regulatory burden for unlicensed users, as these users would not obtain a permit in any event.

Administrative costs: The costs incurred by Victoria Police in granting permits for the use of these kits will approximate those currently incurred in the granting of permits for other prescribed items. This prescription would not require the creation of any new processes or procedures and its costs could be recovered through the proposed fee for the granting of a permit for a prescribed item. Accordingly, a score of -1 has been assigned to this criterion.

Table 12: MCA for non-fee-Option 1

Criterion	Weighting	Assigned Score	Weighted Score
Safety	30%	4.00	1.2
Public peace	20%	3.00	0.60
Regulatory burden	30%	-1.00	-0.30
Administrative costs	20%	-1.00	-0.20
Total			1.3

The Department proposes making this change, given that the apparent safety and perceived risks of harm benefits outweigh the regulatory burden and administrative costs involved. Besides chassis kits, no other devices were proposed prior to the end of consultations for consideration as prescribed items.

3.2.2 Non-fee Option 2: Remaking the current list of exempt devices, and listing line throwers and dog-training devices as new exempt devices

Description of Option

As discussed above, a number of devices are exempt from the operation of the Act, including devices that are exempted under the regulations. A detailed description of the existing exempt devices in the regulations is contained in Table 9. For the reasons explained above, Victoria Police consider that these devices do not merit classification as firearms, as they pose a lower risk of harm than conventional firearms and have specific occupational or recreational uses. Although capable of firing a projectile, they lack the characteristics of conventional firearms (force, accuracy, muzzle velocity and so on) that give them the potential for harm.

If not for the operation of regulations, some presently exempt devices would be within the definition of 'firearm' under the Act, and would be regulated. Non-fee option 2 would remake the existing regulation (including existing exempt devices), as there was support for maintaining the existing list from both firearms stakeholders and Victoria Police. Both of these groups considered that the existing exempt devices all posed negligible risk due to their essential characteristics making them poorly suited for use as weapons, and that they all had legitimate uses which made their availability to the unlicensed community desirable. As a result, expending resources regulating them would be inconsistent with the safety and public peace objectives of the Act.

In addition, this option would also add the following additional devices to the list of exempt devices in the current regulations:

- arborist line throwers²² (devices used to launch a rope or line, used by arborists to connect a line to out-of-reach vegetation). A line thrower is a large device which is not readily concealable, does not fire conventional cartridge ammunition and has specific commercial uses, namely, to facilitate the work of arborists.
- dog-training devices, also known as ‘dummy launchers’ (devices used to launch a ball or other retrievable projectile, for the purpose of training dogs for hunting or other purposes). These devices are not readily concealable, fire large, low-risk projectiles, and have specific commercial purposes relating to dog training.

The two categories above would be covered under the Act’s definition of a firearm as they are designed (or capable of being modified) to discharge a missile using compressed gas or strongly combustible materials.²³

As a result of including these devices as ‘exempt devices’ under the regulations, they would no longer be covered by the provisions of the Act, and thus would not require registration or for their owners to be licensed.

Under the base case, these devices would be considered firearms under the Act, and be subject to all of its provisions, including licensing and registration requirements.

Rationale for considering Option

In the view of Victoria Police, none of the listed devices pose any significant threat to public safety or perceived risks of harm. Victoria Police also observed that these devices have either commercial or recreational applications that may be limited by their classification as firearms.

In 2016, the Law Reform Commission of Western Australia recommended that industrial tools (including nail guns and line throwers) and other similar devices should be excluded from the definition of firearms. Drawing on submissions, it noted that these devices are tools of trade and generally not concealable.²⁴

In the case of line throwers used by arborists, these devices are already exempt from the definition of firearm in the Act when used for rescue purposes. The proposed change to the regulations would expand access to arborists. An exemption for line throwers exists in some other jurisdictions,²⁵ and these products are excluded from the definition of firearm for importation purposes, meaning they are not subject to import controls.²⁶ This suggests that these devices carry a small risk, and are commonly treated as different to existing categories of firearm. Other jurisdictions where these devices are exempt did not advise of any injuries or other adverse events resulting from their use. Further, line throwers are already exempt under the Act when used for rescue, rescue training, or rescue demonstration purposes and there is no evidence that their current availability in Victoria has created any identifiable harms or reasonable threats of harm.

In the case of dog-training devices, these devices are exempt in a number of other jurisdictions²⁷ and, like line throwers, are not subject to import controls.²⁸ Although generally fired using blanks, the devices do not resemble conventional firearms. Further, they are only capable of firing large, relatively low velocity projectiles, and as such present a far lower risk of wounding a person than conventional ammunition. They lack the combination of high velocity and a small surface area that give conventional bullets or pellets their penetrative power and capacity to wound by puncturing flesh or bone. This suggests it is appropriate to remove these devices from being regulated as firearms. None of the jurisdictions consulted in relation to these devices advised of any negative consequences of their availability without a licence.

Evaluation of Option

Safety: While it is possible that the newly proposed devices could conceivably be used in a manner which could cause harm, Victoria Police and the Department consider that the risk of harm is not sufficient to justify regulating them as firearms. These devices generally launch projectiles which make them unsuitable for use as weapons (the projectiles usually being large, low velocity, and poorly designed for inflicting any substantial injury) and not capable of adaptation for use in this way. In

²² Line throwers are already exempt from the definition of firearm under the Act, but only when used for ‘rescue purposes, rescue training or rescue demonstration’: s 3(1).

²³ *Firearms Act 1996*, s 3(1) (definition of ‘firearm’).

²⁴ Law Reform Commission of Western Australia, *Review of the Firearms Act 1973: Final Report* (Project 105, October 2016) 29.

²⁵ Firearms Regulations 2017 (SA) r 44(c), Firearms Regulations 2016 (Tas) r 5(b) [only for life-saving a distress signalling situations]. The Department also understands that these devices may not be treated as firearms in Queensland.

²⁶ Customs (Prohibited Imports) Regulations 1956 (Cth) r 4F(4).

²⁷ Firearms Regulations 2017 (SA) r 44(f), Firearms Regulations 2017 (NSW) r 4(j). The Department also understands that these devices may not be treated as firearms in Queensland.

²⁸ Customs (Prohibited Imports) Regulations 1956 (Cth) r 4F(4).

addition, other laws apply to prevent the use of these devices in a dangerous manner—regulation of their use does not require the heightened scrutiny of the Act or Regulations. Stakeholders also considered that the risk of harm posed by these devices to be negligible. Given the experience of partially exempting line throwers in the past, it also seems unlikely that extending the exemption to the use of line throwers by arborists would pose any danger of uncertain definitions leading to the availability of devices other than those intended. A score of zero has thus been deemed appropriate.

Public peace: It is possible that devices like dog-training launchers could be used to cause minor public disturbances if misused, but Victoria Police and the Department consider the risk relatively minor relative to their usefulness. The devices do not closely resemble firearms, and could not reasonably be used to threaten or intimidate. Stakeholders did not consider that the existing or proposed exempt devices pose a threat to perceived risks of harm. As such, a score of -1 is assigned for a very minor increase in the perceived risk of harm.

Regulatory burden: Compared to the base case, users of listed devices would no longer be required to comply with the requirements of the Act. They would not need to apply for firearms licences, would be able to source these devices without the involvements of a firearms dealer, and would not require permits to use these devices in towns or other public places. For those users, this would represent a considerable reduction in the regulatory burden relative to the base case where these devices are regulated. It is also reasonable to assume, based on public enquiries received by Victoria Police, that a number of potential users of these devices may not presently use them because of their treatment under the regulations. A dog training launcher may be useful for a part-time or volunteer dog trainer, but not so useful as to merit paying for a firearms licence and going through the process to acquire a launcher under the base case. Allowing these individuals to more practically access these devices also represented a reduction in regulatory burden relative to the base case. It is important to note that in all instances, the number of people expected to be affected by these exemptions is small. Victoria Police estimates that the new exemptions would result in a maximum of 30 existing licences falling into the new exempt categories.²⁹ Based on this option having a material impact in reducing regulatory burden for a small group of people (both those currently licensed and those who choose not to use these devices because of the licensing requirement), a score of +2 has been assigned.

Administrative costs: Compared to the base case, Victoria Police would no longer need to incur costs regulating these devices, leading to a reduction in administrative costs. The impact is expected to be less than the impact on regulatory burden, as users who currently do not but would use these devices, if they were exempt, do not currently impose administrative costs on Victoria Police, unlike those who currently hold a licence. As such, a score of +1 has been assigned.

Table 13: MCA for non-fee option 2

Criterion	Weighting	Assigned Score	Weighted Score
Safety	30%	0.00	0.00
Public peace	20%	-1.00	-0.20
Regulatory burden	30%	2.00	0.60
Administrative costs	20%	1.00	0.20
Total			0.6

Based on the above MCA, the Department considers that the current list of exempt devices should be remade, with the addition of the two new types of devices listed above.

Certain other devices were considered for inclusion as exempt devices (note that these were raised by Victoria Police, and not by stakeholders), namely bird fright launchers, merchandise cannons and bait launchers. These devices are considered to pose a low risk of harm and, as with the items referred to above, have specific occupational or recreational uses. However, import restrictions mean that, even if they were exempted in Victoria, they would likely remain practically inaccessible legally. Accordingly, the Department did not consider that exemption of these devices through the regulations was feasible.

²⁹ Victoria Police data.

3.2.3 Non-fee-Option 3: Remaking the maximum amount that a licensed firearms dealer may charge when acting as an agent, but setting this amount in fee units

Description of Option

Under the base case, there would be no legally imposed limit on the amount that a dealer could charge for acting as an agent under section 95 or 96 of the Act. Market forces would thus determine what dealers charged.

The proposed option would re-make the existing requirement of a maximum fee that a licensed firearm dealer could charge when acting as an agent under section 95 or 96 of the Act. Based on feedback from consultations with stakeholders, this option would both raise the fee from the current \$25 limit (which was uniformly regarded as inadequate by stakeholders) and prescribe it in fee units rather than as a set amount. Based on consultation with dealers and other stakeholders, three fee units was selected as the level for consideration in this option, allowing for fees to increase from \$25 to \$42.66 at 2017/18 fee unit values (and allowing the nominal value to increase over time to account for inflation as determined by the Treasurer's rate). This amount was broadly in line with rates commonly charged in other Australian jurisdictions where no fee limitations were in effect but dealer markets were considered functional and healthy in this regard. It was lower than the higher fees commonly charged by dealers presiding over transfers of firearms from users licensed interstate, which are not currently limited by regulations. Given that fees of \$50 in NSW are not uncommon, it is possible that the current fee limit set in Victoria is resulting in an effective cross-subsidy from other dealer goods or services that are not price-capped by legislation or regulations.

Rationale for considering Option

As a firearm can only be transferred from one user to another through a dealer acting as agent,³⁰ there is a risk that some dealers may exploit their exclusive right to provide this service by charging excessive fees. Remaking the regulation is considered on the basis that it may help guarantee that licensed individuals will be able to find a dealer to act as an agent in a firearm sale or transfer at a reasonable cost, even if there is only one dealer available in their area. Feedback from consultations indicated that, where few dealers were accessible in a given area, there is a concern competitive forces may not operate effectively to contain the fee charged.

Equivalent provisions exist in Queensland and South Australia, where the maximum fee is set at \$10 and \$24, respectively. Tasmania removed an equivalent provision from its legislation in 2016, in order to 'allow market forces to prevail and not to restrict competition'. The Department sought advice on the ramifications of this change, but it wasn't provided in time to be incorporated in the RIS. Other jurisdictions do not appear to impose a maximum fee. In the absence of these restrictions, the price charged by dealers for acting as an agent has climbed according to stakeholders, with anecdotal evidence suggesting that amounts of approximately \$50 were not uncommon in NSW.

Establishing the maximum amount in fee units is considered on the basis that it will allow for the automatic indexing of the maximum amount to be charged. Dealers would be required to ensure that the maximum fee charged reflected the current fee unit amount, which would change every year. Some dealers indicated support for a maximum fee, on the basis that it provides comfort to users that the fee charged is not excessive.

Consultation questions:

To what extent will the change in the maximum fee amount impact the behaviour of shooters and firearms dealers?

Is three fee units an appropriate amount?

Should the cap be abolished entirely?

Evaluation of Option

Safety: In relation to safety, consultations indicated a belief that the dealer market was not sufficiently small or monopolistic that licensed individuals would be unable to locate a dealer willing to act as an agent in a transfer at a reasonable price and it is unlikely they would be encouraged to transfer firearms otherwise than through the agency of a dealer, given the significant penalties associated with possession of unregistered firearms. However, there is a risk that, were the cap not in place, users may loan firearms to acquaintances, rather than transferring them, to avoid the need to engage in a transfer. This raises safety issues, as it affects the accuracy of the register. In addition, stakeholders

³⁰ *Firearms Act 1996* (Vic) s 95–6.

identified that, if licensees were required to travel long distances to find a dealer willing to process a transfer for a reasonable price, firearms may remain in vehicles for longer periods, increasing the risk of theft. Accordingly, maintaining the maximum fee receives a slightly positive score on safety.

Public peace: For the same reasons, the removal of the limit may have an impact on perceived risks of harm.

Regulatory burden: Feedback from dealers suggest that all dealers that are willing to act as agents in section 95 or 96 transfers generally charge the maximum allowable fee at present. Higher fees are generally in place where dealers act as agents in inter-state transfers. Anecdotal evidence from firearms stakeholders suggests that, were the regulation not remade, dealers would increase fees to around \$50. This suggests that the regulatory limit is denying dealers the ability to charge market rates or to effectively compete to act as agents for section 95 or 96 transfers, imposing an economic cost on them. Consultations with firearms stakeholders suggested that dealers in some other States are not subject to similar regulations and their markets appear to be functioning well.

Administrative costs: If a maximum fee is prescribed, effort would need to be expended monitoring and enforcing dealer compliance with this maximum fee. In 2015/16 for example, an infringement notice was issued to a dealer for charging more than the prescribed amount for acting as an agent under section 95 or 96 of the Act³¹. Under the base case, this administrative effort would be unnecessary.

Table 14: MCA for non-fee option 3

Criterion	Weighting	Assigned Score	Weighted Score
Safety	30%	1	+0.3
Public peace	20%	1	+0.2
Regulatory burden	30%	-1	-0.3
Administrative costs	20%	-1	-0.2
Total			0

While this non-fee option receives a neutral MCA score, during consultations, stakeholders noted that protecting consumers in areas where there was limited choice of dealer should be taken into account when assessing this option, and consequently supported this approach. Stakeholders considered that remaking the maximum fee at three fee units will allow dealers the ability to charge higher transaction fees relative to the current Regulations, while also providing protections to the customers of dealers. As such, while this option does not have a positive MCA score, the Department supports remaking the maximum dealer transaction fee at three fee units in the remade Regulations.

3.2.4 Non-fee-Option 4: Remaking infringement penalties in the current regulations, and the associated schedule of offences for which infringement notices can be issued, and adding further prescribed offences

Description of Option

Three new offences would be listed in the Regulations as prescribed offences for which infringement notices could be issued. These offences are as follows in the table below:

Table 15: Summary of proposed new infringement offences and penalties

Section of Act	Description	Proposed penalty (2017–18)	Proposed Penalty
87(2)	Failure to record all required particulars in a dealer's register of transactions	\$158.57	1 penalty unit
121(1)	Failure to securely store a category A or B longarm	\$317.14	2 penalty units
121(1A)	Fail to securely store ammunition possessed under a category A or B longarm licence.	\$317.14	2 penalty units

³¹ Victoria Police data.

Rationale for considering Option

Currently, Victoria Police files charges in approximately 100 cases per year in relation to the offence of failing to appropriately store Category A and B longarms (this does not account for the number of informal resolutions).³²

In some cases, the laying of charges may be considered overly punitive or a waste of resources if the conduct involved was very minor. Victoria Police indicated during consultations that sending minor offences to Court involved police time and resources out of proportion with the severity of the offence, and that taking alleged offenders to court over minor breaches imposed a penalty beyond that merited by the infraction, both in terms of the cost and time of attending court, and in any sentence imposed. In these cases, allowing an infringement notice to be issued may provide a useful option that sits between laying charges and issuing a caution notice on the spectrum of severity. Infringement notices can be more easily and quickly issued than charges, and be more quickly and readily settled by the infringing party.

It is intended that infringement notices would only be issued for less serious instances of these offences.³³ Police officers would retain discretion to issue charges in more serious examples of these offences. In the case of the storage offences, examples of real world cases where Victoria Police believe an infringement notice may have been a useful alternative to a court process include:

- A licence holder stores firearms in a compliant safe which, upon inspection, they have forgotten to lock.
- A licence holder possesses a compliant safe, but a firearm is found outside of it during inspection.
- A storage receptacle (safe) which weighs less than 150kg is otherwise compliant, but is not affixed to the structure of the building.

The proposal to prescribe offences relating to the secure storage of firearms and related ammunition (contrary to sections 121(1) and (1A), respectively) does not extend to other categories of firearm or their ammunition. Inappropriate storage of these firearms and their ammunition was considered to be too serious to be dealt with by way of an infringement notice.

Evaluation of Option

Safety: The listing of these offences as prescribed offences in the Regulations would support more effective and widespread enforcement activities by giving police an alternative to taking court action.

Normally, less serious examples of these offences would be dealt with at court through mechanisms such as diversion. Because infringement notices are quicker to issue and require less administrative support, allowing them to be issued for these common offences would allow enforcement resources to be used more efficiently and free up personnel and resources for additional enforcement activity. More enforcement activity would, all else being equal, increase the chances that unsafe practices or contraventions of rules would be detected, improving public safety outcomes. Increasing the range of options available for enforcement will enable Victoria Police to better tailor its approach based on the risk posed by instances of non-compliance (i.e. by dealing with lower risk matters in a less formal and resource-intensive manner).

Additionally, the option to issue infringement notices may mean that infractions which would normally be considered too minor to merit charges being laid, could instead be dealt with through an infringement notice. This would provide an additional disincentive to infractions which, despite being minor, are likely to pose some level of threat to the safety of the public. As a result of the likely overall improvement in safety, a score of +2 has been assigned to this criterion.

Public peace: The ability to issue infringement notices may free up resources for wider-ranging enforcement activities which may in turn increase public perceptions of safety and faith in the enforcement system. The impact on perceived risks of harm is, however, likely to be less pronounced than the impact on safety. Accordingly, a score of +1 has been assigned to this criterion.

Regulatory burden: Under the base case, these offences would still exist (by virtue of the relevant sections of the Act); however, those individuals who are believed to have contravened these sections would need to be dealt with through the laying of charges should Victoria Police believe that punitive action is necessary. This may lead to the charged party being subject to a larger penalty and a more onerous process than would have been the case if an infringement notice had been available to Victoria Police as an option. In some cases, infringement notices may be issued where, absent the

³² Victoria Police data.

³³ It is also important to note that Police officers would have the discretion not to issue an infringement notice at all, and that the penalty levels were set to align the proposed penalties discussed below with the seriousness of the relevant offences.

proposed change, no charges would have been filed. For those individuals, the regulatory burden would increase slightly. Accordingly, a score of zero has been assigned – that is, because there is assumed to be no net effect of having a higher volume of infringements, given that each infringement is likely to be less onerous).

Administrative costs: As discussed, under the base case, these offences would continue to exist by virtue of the relevant sections of the Act, however any enforcement of them would need to be dealt with through the courts. Allowing for Victoria Police to respond by issuing infringement notices in appropriate cases would reduce the administrative costs associated with enforcement.

Table 16: MCA for non-fee option 4

Criterion	Weighting	Assigned Score	Weighted Score
Safety	30%	2.00	0.6
Public peace	20%	1.00	0.2
Regulatory Burden	30%	0.00	0.0
Administrative Costs	20%	2.00	0.4
			1.2

Given the likely improvements for effectiveness of monitoring and enforcement activities, the Department is proposing that the new infringement provisions be made.

3.2.5 Non-fee Option 5: Updating licence categories and permit fees

The Regulations prescribe licence categories for a range of different licence holders. Over the life of the Regulations, Victoria Police has identified a number of minor potential changes to licence categories which could improve the operations of the regulatory framework. These changes aim to serve to the following main purposes:

- Encouraging fewer dealers to hold licences for higher-risk firearms, so that Victoria Police can focus its monitoring and enforcement activities on dealers who deal in higher risk firearms (thereby allowing it to potentially better identify issues involving higher risk firearms)
- Recovering costs for Victoria Police's activities that are currently not prescribed in Regulations as activities with a fee associated.

Amendments to existing firearms dealer licence categories

Section 60 of the Act allows for the Chief Commissioner to licence a person to operate as a dealer either for all categories of firearms or for a selection of categories, and for all aspects of the business or only particular aspects. In practice (and if Schedule 4 of the Regulations was remade in its current form) dealer licences are issued in three classes:

- Class 1: dealing in all categories of firearm
- Class 2: dealing in only category A longarms, category B longarms and general category handguns, or
- Class 3: the repair of firearms (all categories) and/or the sale of ammunition.

This option would adjust the Class 2 dealer licence so that dealers holding this class of licence could also trade in category C longarms, as well as the categories that they can currently trade in. It would also allow class 2 dealers to accept, for surrender or destruction, firearms from outside those classes for which they are ordinarily licensed (to be implemented through licence conditions).

Class 2 licences do not currently allow dealers to trade in category C firearms. These firearms are common in rural areas, particularly because of their use for the genuine reason of primary production. Consultation with dealers and Victoria Police suggests that the combination of these factors means that Class 2 licences are perceived to limit the ability of dealers to service the rural and regional Victorian market effectively. Consultations also highlighted that the lack of ability to deal in category C longarms restricts the ability of Class 2 dealers from being able to purchase used category C longarms from licensees, accept them into storage or accept them during an amnesty.

Victoria Police noted that a consequence of the current Class 1 and Class 2 arrangement is that some dealers may obtain a Class 1 licence under the existing regulations solely to be allowed to trade in category C longarms. In addition to category C firearms, Class 1 licences also allow dealers to trade in Category D and E longarms (access to which is highly restricted). In practice, this means that some

Class 1 licensees are authorised to trade in Category D and E firearms, despite having no business need to do so. Victoria Police consider that it is undesirable, from the perspective of public safety, to have more dealers licensed to sell category D and E firearms than is necessary to meet the limited market need for these firearms. The Department considers that including category C firearms within the scope of a Class 2 dealer licence will mean that more dealers can effectively operate their business on the more restricted (and lower cost) Class 2 licence. It is also possible that making this change could enable Victoria Police to better concentrate its monitoring activity through more effectively targeting dealers who deal in higher-risk firearms. By concentrating Victoria Police's monitoring activity on dealers who deal in higher-risk firearms, there is likely to be a shift in regulatory burden away from dealers who deal in lower-risk firearms, and a commensurate increase in regulatory burden for dealers who deal in higher-risk firearms.

Less than 80 per cent of licensed firearms dealers in Victoria hold a Class 1 firearms dealer licence. Victoria Police estimates that approximately 20 per cent of dealers currently holding Class 1 licences would transition to Class 2 licences if this change was made. Given the small difference between the two licence fees, and the low volumes of the two categories, the overall revenue (and administrative cost) impact will be less than \$5,000 in 2017–18.³⁴

The proposals of broadening the Class 2 dealer licence would result in minor administrative savings (as a greater proportion of applicants would be diverted into lower risk dealer licences, which requires less effort to process). The regulatory burden on dealers would also be reduced—firearms dealers able to carry on their businesses under a Class 2 dealer licence, rather than Class 1, would no longer be subject to the higher fees and burdens associated with a Class 1 licence.

The proposal would also reduce risks to public safety and security. Victoria Police has indicated that it has concerns about dealer licences being issued for higher risk firearms where the dealer does not actively deal in those firearms, given that having fewer dealers licensed to carry these firearms unnecessarily would reduce the risk to the public (by reducing the number of locations in which higher-risk firearms are held). This proposal is likely to allow for better allocation of Victoria Police's compliance resources, by allowing it to dedicate more effort to regulating those dealers that actively deal in higher risk firearms.

Creation of a paintball marker class of firearm dealer licence

It is also proposed to create a standalone paintball marker class of firearm dealer licence. This option would see a new, lower cost firearm dealer licence category created which would allow a dealer only to trade in paintball markers. This class of licence would be targeted to operators of paintball ranges, who sometimes hold dealer licence to enable them to trade in paintball markers, and dealers who supply paintball markers to ranges. At present, these individuals are required to hold a class 1 dealer's licence. While demand for this licence category is not expected to be substantial, the paintball industry supported the proposal when consulted. No stakeholders raised objections to the change during consultations and it was generally agreed that, given the lesser enforcement activity and public safety threat associated with paintball guns as opposed to, for example, general category handguns.

As with the broadening the Class 2 dealer licence, the creation of a paintball marker licence would result in minor administrative savings (as applicants would be diverted into the new paintball licence class, which is expected to require less effort to process than an application for a licence allowing the holder to trade in other firearms categories). The regulatory burden on dealers would also be reduced—paintball operators and those dealing in paintball markers (but no other firearms) could carry on their businesses under the new licence class, and would not be subject to the higher fees and burdens associated with a Class 1 licence.

There would also be a public safety dividend as fewer individuals would, in all likelihood, be licensed to carry firearms of a higher category than they are trading in. Just as category D and E firearms, all else being equal, generally pose a higher risk than category A, B and C firearms, category A, B and C firearms generally pose a higher risk than paintball markers. Victoria Police has indicated that having fewer dealers licensed to carry firearms that they do not trade in would assist them to better allocate compliance resources away from those who currently trade only in paintball markers (but whom are licensed as Class 1 dealers) and towards those that actively trade in firearms other than paintball markers.

³⁴ Victoria Police expects that under this arrangement, around 20 per cent of Class 1 dealers would transition to a Class 2 licence. On average, between the period 2011–12 to 2016–17, there were less than 200 dealers approved per annum. Based on the information available, the proposal is expected to result in a small number of dealers shifting towards the Class 2 licence.

Cost-recovery related changes

The Regulations currently prescribe fees in order to recover the costs associated with Victoria Police's activities in administering the regulatory framework. Victoria Police has identified two categories of activities where there is not a fee currently prescribed:

- the issue of permits a populous place permit
- the issue of permits to acquire category D and E longarms.

There is currently no fee prescribed for issuing a permit under section 130 of the Act. There is substantial work involved in assessing an application for a permit, including a site inspection. Where a populous place permit is undertaken, a sworn member travels to a site where the potential shooting activity is to occur, undertakes an inspection, and then returns to the police station and writes a report on the activity – this process is followed by Victoria Police as an operational decision based on the requirement to satisfy itself of the conditions of granting such a permit under section 130(4) of the Act. In 2015 there were less than 100 of these populous place permits granted, and less than 200 in 2016. The activities have a benefit specifically for the applicant of the populous place permits (as opposed to licensees generally or broader taxpayers). As an example of a populous place permit applicant, these could be where pest control activities will occur for the benefit of an owner of a warehouse in a semi-regional location. If the current regulations would continue, the cost of these activities would be cross-subsidised by firearms licensees generally. Under the base case (i.e. where the regulations lapsed and no fees were charged), the cost of these activities would be recovered by taxpayers generally.

There is currently no fee prescribed for issuing a permit to acquire for category D and E longarms. As a result, the current practice of Victoria Police is to charge applicants for category D and E longarms at the rate prescribed for permits to acquire category B and C longarms. There is no reason to exempt a category D and E longarm applicant from being charged on a cost-recovery basis – all other applicants for permits to acquire are charged on a cost-recovery basis – and introducing this fee in regulation will ensure that the regulations reflect current practice of recovering costs based on the same principles.

Evaluation of Option

For ease of consideration of the key components of this option, the key rationale for each of the four components is summarised in the table below.

Table 17: Summary of rationale for each component of non-fee option 5

Component of option	Key rationale
Allowing Class 2 dealers to trade in Category C longarms	Enables Victoria Police to better allocate its compliance resources, by allowing it to dedicate more effort to regulating those dealers that actively deal in higher risk firearms. May reduce the number of locations where higher risk firearms are held.
Creation a standalone paintball marker class of firearm dealer licence.	Enables Victoria Police to better allocate its compliance resources, by allowing it to dedicate more effort to regulating those dealers that actively deal in higher risk firearms. May reduce the number of locations where higher risk firearms are held.
Creation of a fee for the issue of permits a populous place permit	This would result in costs being recovered from applicants for these permits.
Creation of a fee for a permit to acquire category D and E longarms	This would prescribe a fee category for permits to acquire under these categories, thereby ensuring that the regulations reflect current practice of recovering costs based on the same principles.

Evaluation of this group of components is summarised against each of the criteria below.

Safety: The changes to dealer licence categories will better enable Victoria Police to target its monitoring activities, and may reduce the number of locations where higher risk firearms are held. As a result of the likely overall improvement in safety, a score of +3 has been assigned to this criterion.

Public peace: The changes to dealer licence categories will better enable Victoria Police to target its monitoring activities, and may reduce the number of locations where higher risk firearms are held. The impact on perceived risks of harm is, however, likely to be less pronounced than the impact on safety. Accordingly, a score of +2 has been assigned to this criterion.

Regulatory burden: Under the base case, the Act would require dealers to be licensed, but no categories would be prescribed. Prescribing categories is likely to reduce burden by clarifying requirements. Accordingly, a score of +1 has been assigned to this criterion.

Administrative costs: Under the base case, Victoria Police would continue to undertake enforcement and monitoring activity across the different dealers and populous places, however, the activity may be less well targeted. In the absence of further information, a score of zero has been assigned to this criterion.

Table 18: MCA for non-fee option 5

Criterion	Weighting	Assigned Score	Weighted Score
Safety	30%	3.00	0.9
Public peace	20%	2.00	0.4
Regulatory Burden	30%	1.00	0.3
Administrative Costs	20%	0.00	0.0
			1.6

On balance, given the improvements for safety and public peace, the Department considers that it is appropriate to incorporate these changes into the remade regulations.

4 Fee-related decisions

As previously outlined, the total estimated impact of the regulations is \$13.8m, and the estimated impact of each component of the Regulations are as follows:

- Fees: The full cost of administering and enforcing the Act and Regulations in 2016-17 was \$13.4m
- Non-fees: Estimated indicative regulatory impact of non-fee Regulations is \$0.4m per annum.

Options concerning the fees are discussed in this section.

4.1 Fee-related residual problem

Allowing the Regulations to sunset would mean there was no legal basis to require that fees be paid under the Act for licences, permits or approvals.

If this were to occur, the regulatory framework would be need to funded from general revenue, and thus all taxpayers, rather than just those whose activities give rise to or increase the need for regulatory activity relating to the use of firearms.

In order to administer the regulatory framework in a way that is consistent with the objectives of the Act and Regulations, Victoria Police undertake a number of compliance and enforcement activities. For example, Victoria Police aims to mitigate potential risks to community safety posed by firearms by undertaking licensing and permit assessments, along with a range of education, monitoring and enforcement activities, such as the inspection of storage arrangements at dealerships and at premises occupied by firearm owners, to ensure they meet the requisite standards.

The costs of Government activities driven by the requirements of the regulatory framework were estimated to have been \$13.4m in 2016-17. This includes costs relating to assessment, monitoring and enforcement. More detail on the costs of the regulatory framework is set out below.

The Victorian Government's default position with regard to the costs of a regulatory scheme is full cost recovery, where 'full cost' represents the value of all the resources used or consumed in the provision of the associated output or activity.³⁵ The rationale for cost recovery is explained below.

Cost recovery, in this context, means recouping the costs of government-provided activities in accordance with the costs associated with regulatory efforts to reduce the risks posed by the presence of firearms in the community (namely, the accidental or deliberate misuse of firearms).³⁶

4.2 Fee-related objectives and criteria

The Victorian Government's Cost Recovery Guidelines (the Guidelines) are published by the Department of Treasury and Finance, and clarify the Government's policy principles underpinning cost recovery arrangements. The Guidelines outline that cost recovery aims to achieve two key objectives.³⁷

- **Efficiency:** Cost recovery aims to achieve 'allocative efficiency' by providing a signal to users about the full cost of the resources involved in the provision of services requiring government involvement. Full cost recovery ensures that the cost of using or trading in firearms incorporates the cost of associated regulatory activity, and therefore provides a price signal to firearms users/dealers regarding the efficient price and service levels from a whole-of-economy perspective.
- **Equity:** Cost recovery aims to achieve horizontal equity such that costs are incurred by those whose activities generate the need for government regulation.

In relation to firearms users and dealers, this means that, in general:

- Cost recovery avoids the situation where all taxpayers have to pay the costs associated with regulating the firearms industry and firearms owners regardless of whether or not they contribute to the need for Government activity in this area.
- Fees reflect any differences in the extent of necessary regulatory activity conducted by Victoria Police in relation to different user groups. That is, groups that generate a larger amount of activity by the regulator attract a higher fee, and are not cross-subsidised by user groups whose activities require less regulatory activity.

³⁵ Ibid.

³⁶ Department of Treasury and Finance, *Cost Recovery Guidelines*, January 2013.

³⁷ Ibid.

Within this framework, a possible reason for diverging from full cost recovery is where the activity generates a benefit for those other than the licence holder.

All firearms industry participants (including all licence and permit holders, and applicants for those licences) contribute to the ongoing need for Victoria Police's activities in administering the regulatory framework to protect the community. For example, Victoria Police incurs costs associated with ensuring that all licence applicants meet the requirements of a licence before granting one. These assessment processes aim to mitigate the risk of harm which could result if, for instance, a prohibited person was able to obtain a permit to acquire. Further costs are associated with activities that continue after the granting of a licence, such as inspections to ensure licence holders meet storage requirements for their firearms. These storage inspections seek to limit the harm that could follow from the potential theft of the licence holder's firearms, or access by others, if the storage arrangements were inadequate.

In relation to licence and permit assessments, different types of applicants also require different levels of activity from Victoria Police. For example, individual applications require assessments only of an individual, whereas body corporate applications could require assessment of a number of people related to the application. Applications for a dealer's licence require consideration of a wider range of factors, including the appropriateness of the proposed location, and a level of rigour that would not be warranted in the assessment and granting of, for example, a junior licence, as this type of licensee will not be able to purchase or own firearms in their own right. Equity requires that, insofar as is possible, these different classes of licensees pay fees that reflect the distinct costs efficiently incurred in assessing their own licence or permit applications.

In addition to horizontal equity, *vertical* equity can be a further consideration for cost recovery. Vertical equity suggests that there can be circumstances where those with greater means may be called on to contribute proportionally more to the cost of maintaining the regulatory framework than those with lesser means. This may be a relevant consideration where it is thought that fees might inappropriately create a barrier to people with lesser means accessing firearms or the firearms industry. In general, the Department considers that there are a number of specific instances where vertical equity is relevant for considering deviations from standard cost recovery, for example, where larger fees for minors to obtain junior firearms licences inappropriately create a barrier to gaining a firearms licence.

Related policy objectives

While cost recovery objectives are important for achieving efficiency and equity in how the costs of administering the regulatory framework are funded, fees must also be set with a view to the objectives of the overarching Act and Regulations. For example, if fees are set too high, fees could pose a disincentive for firearms users and dealers to be registered or licensed in the first place, potentially resulting in a less effective regime for controlling the risks posed by these groups.

It should be noted that the costs associated with fees are only one component of the costs incurred by firearms users and dealers in complying with the substantive requirements of the Act and the Regulations, such as storage costs, club membership fees and costs associated with applications, record keeping and notifications. As a result, the fees set by the Regulations are not the only economic factor affecting whether users are compliant with the regulatory framework. Therefore, it is important to consider the possible effect of fees on behaviour and outcomes (and, therefore, the appropriate policy approach) in terms of the size of the fee relative to the other costs of firearm ownership.

Circumstances potentially justifying less than full cost recovery

As noted above, the Government's general policy on cost recovery is that 'regulatory fees and user charges should be set on a full cost recovery basis'.³⁸ Consistent with the principles of efficiency and equity, there are certain circumstances in which the policy of full recovery can be departed from. Examples of those circumstances, and their relevance to the regulatory framework for firearms, are outlined in the table below.

Table 19: Overview of circumstances in which less than full cost recovery justified

Circumstance in which full cost recovery may not be desirable ³⁹	Relevance for the regulatory framework for firearms
Practical implementation issues make cost recovery infeasible	Not considered relevant on the basis that the systems currently in use by Licensing and Regulation Division of Victoria Police allow for fees to be charged when issuing a firearms licence or permit.

³⁸ Department of Treasury and Finance, Cost Recovery Guidelines, January 2013, 7.

³⁹ Ibid.

Circumstance in which full cost recovery may not be desirable ³⁹	Relevance for the regulatory framework for firearms
<p>The regulated activity has benefits for unrelated third parties (sometimes referred to as 'positive externalities')</p>	<p>The use of firearms, on the whole, generates benefits for the users themselves, without particular benefit to unrelated third parties. However, specific categories and classes of use may have positive externalities associated with them. For example, the use of firearms by primary producers to control pests can have positive impacts both on surrounding producers and on the wider ecosystem. Some may also consider that firearms sporting events also generate positive externalities—for example, public enjoyment associated with the Olympics.</p> <p>These issues are considered on a category-by-category basis where relevant and may justify under-recovery for certain licence categories.</p>
<p>Social policy or vertical equity considerations are considered to outweigh the efficiency objectives associated with full cost recovery</p>	<p>This may be a relevant consideration where it is thought that fees might inappropriately create a barrier to people or businesses with lesser means accessing firearms or the firearms industry; On this basis, the Department considers there are a number of instances in remaking the regulations where vertical equity concerns underpin a proposed departure from full cost recovery principles—for example, in relation to junior licences. The reasons for these proposed departures are explored in more detail in the options analysis section of this document.</p>
<p>Full cost recovery might adversely affect the achievement of other government policy objectives</p>	<p>While the creation of or increases to fees and charges might create a disincentive for individuals to comply with the regulatory regime, this is not considered significant enough to merit under-recovery. It is particularly important to consider fees for firearms as one of many costs associated with using, owning, or trading in firearms, including the purchase cost of firearms and ammunition. The risk of increased non-compliance is considered in the analysis for each individual strategic fee option below.</p>

The analysis above suggests that, in principle, pursuing full cost recovery is warranted for firearms regulation. However, there may be cause to under-recover in the case of specific licence or permit types that are closely related with positive externalities (such as pest control) or government policy objectives. Details of these potential waivers or under-recovery options are provided in the options analysis below, along with estimates of the resulting impact on revenues.

Consultation questions:

Are there other instances where vertical equity concerns may merit the under-recovery of costs from licence holders?

4.3 Appropriateness of the current fee levels

The current fee levels under the Regulations were prescribed in 2008.

The Regulatory Impact Statement written to support the making of the Regulations in 2008 proposed fees which were set on a full cost-recovery basis, as recommended through a review of the costs of firearms licensing, registration, and regulation activities at that time. Fees were calculated based on a 2005/06 activity based costing and were indexed annually at the Treasurer's Rate to determine fees for the 2008 Regulations. In addition, a number of fee categories, including dealer licences and certain collector licences and permits were subjected to a 20 per cent discount in anticipation of future efficiency gains within what was then the Licensing Services Division of Victoria Police. These efficiency gains were anticipated to occur through the rollout of the Online Dealer system, which automated a number of steps associated with regulating dealers and their firearm transactions. Ultimately, fees were increased by 2.5 per cent from their pre-2008 levels in order to determine the fees in the Regulations.

As discussed below, an Activity Based Costing (ABC) conducted in 2017 of the activities undertaken by the Licensing and Regulation Division of Victoria Police in the regulation of firearms, private security, and weapons in Victoria, estimated attributed annual costs of \$13.4 million in 2016-17. Victoria Police's revenue data show that the existing firearm fee scheme recovered \$10.3 million in

2016-17. This under recovery is in large part due to the primary production fee waiver.⁴⁰ The analysis of the fees also identified a number of cross subsidies between different licence categories (discussed in the fee option assessment below).

Table 20: Estimated costs and recovery attributable to firearms regulation⁴¹

Year	Attributed Costs (\$)	Total Recovered (\$)
FY 2016/17	\$13.42 million	\$10.34 million

4.4 Overview of activities undertaken by Victoria Police

Decisions about licences, permits and approvals under the Act are the responsibility of the Chief Commissioner of Victoria Police. Alongside this, Victoria Police is responsible for enforcing offences committed under the Act.

In broad terms, the costs associated with these activities are incurred across the following Victoria Police areas:

- **Licensing and Regulation Division (LRD)** – incurred within one specific division of Victoria Police
- **Non-LRD costs** – distributed costs incurred by a number of Victoria Police and other government areas associated with the enforcement activities of those with licence, permits and approvals under the Act.

LRD performs a range of licensing, permit and registration assessment, monitoring and enforcement functions relating to firearms, weapons and the private security industry.

In relation to the regulatory framework for firearms in Victoria, LRD assesses and issues licences, permits and approvals, along with renewals of these. In doing so, LRD facilitates achievement of the purposes of the Act by, among other functions, ensuring that:

- firearms licences are issued only to persons holding a genuine reason
- firearms are purchased by appropriately licensed, non-prohibited persons
- firearms are bought and sold only through licensed dealers
- approved target shooting clubs and ranges have appropriate facilities.

LRD also undertakes ongoing monitoring and enforcement through a range of activities.

Areas outside of LRD undertake a range of activities to administer the regulatory framework. Notably:

- Divisional Firearms Officers (DFOs) undertake storage inspections and firearms training
- a range of areas across Victoria Police (including taskforces) provide input into licensing decisions, and
- the Department of Justice and Regulation administers the firearms appeals process for reviewing licensing decisions.

In addition to monitoring and enforcement that is undertaken in an ongoing capacity by LRD and a strategic capacity by various Victoria Police taskforces, members across Victoria Police contribute to monitoring and enforcement. These 'other policing activities' are monitoring and enforcement activities that occur as part of general policing duties, and are not included in the recoverable cost base. For example, the costs of responding to firearm thefts, training to respond to 'active shooter' incidents, and responding to violent crime involving firearms are not included in the set of costs sought to be recovered from firearms licensees. The reason that these costs have not been included in the recoverable cost base is that while they seem to relate to 'firearms' (and may therefore be appropriate to recover from firearms licence holders), in practice, these costs are driven by illegally possessed firearms or criminals more generally (e.g. violent crimes). While it is possible that a very small amount of these costs could be attributed to firearms licence holders, it is very difficult to disentangle any cost

⁴⁰ Regulation 10(3) provides that, where a person applies for a longarm licence for category A, B or C longarms for the reason of primary production, the licence fee payable for the licence is waived. According to Victoria Police, fewer than 8,000 longarm licences were issued for reason of primary production in 2016/17, resulting in less than \$2 million worth of licence fees being waived in that financial year. A separate waiver is also available for category A and B longarms where the applicant is already licensed for a category C longarm, which would overlap with the primary producer waiver to reduce the overall value of the primary producer waiver.

⁴¹ Revenue data for financial year 2016–17 is sourced from Victoria Police actual revenues.

drivers that relate specifically to firearms licensees—therefore, these broader costs are not recovered from firearms licensees.

The approach to calculating and attributing costs is described in the following section.

4.5 Approach to calculating and attributing costs of regulation

In order to determine which costs should be recovered through fees, the scope of the efficient cost base associated with administering the regulatory framework must be established. In the case of this RIS, the costs have been established through the ABC.

4.5.1 LRD activities and costs

The ABC model allocates 169 LRD activities (including a range of shared processes) across 81 fee categories. The total estimate for LRD activities in 2016/17 were broadly split into the areas outlined in the following table.

Table 21: LRD cost attribution 2016/17

LRD Team	Total Attributable Costs (\$m)
Regulation Support Unit	2.5
Assessment and Determination Unit	2.5
Policy and Publications Unit ⁴²	0.8
Business Support Unit	2.0
ICT and projects ⁴³	1.1
Public Support and Services Department Executive	0.5
Total	9.3

Note: Where totals do not add up, this is due to the impact of rounding

A summary of the activities undertaken by LRD in administering the regulatory framework is set out in the table below.

Table 22: Activities undertaken by LRD

Branch	Team	Activities undertaken
Regulation Support Unit (RSU)		Teams across RSU undertake activities to support areas of LRD across the three industries. These activities include:
		<ul style="list-style-type: none"> Investigation of licence or permit applicants where there are probity concerns that cannot be resolved by the processing team Liaison with other areas of Victoria Police (such as Crime Command) where needed in order to resolve applicant probity concerns Audits of firearms dealers / private security businesses Disciplinary inquiries / licence suspensions Support refusal processes Provision of in-house legal advice across LRD from RSU solicitors⁴⁴

⁴² Note that work undertaken in relation to legislative and regulatory policy development is not cost-recovered under the Victorian Government's *Cost Recovery Guidelines*. This is distinct from operational policy (e.g. interpreting requirements under the framework) which is covered under the Guidelines. While the main focus of PPU is to undertake operational policy work related to administering the existing regulatory framework, it does undertake some work to support the Department of Justice and Regulation's policy development processes (for example, occasional reforms to firearms regulations or legislation). Similarly, the Department of Justice and Regulation's main focus is on legislative and regulatory reform, however, it also undertakes some work associated with operational policy related to administering the existing regulatory framework. It is assumed that these two resource allocations balance each other out, and that, as such, it is appropriate to use PPU's full costs to represent the total costs of administering the regulatory framework.

⁴³ Note that in 2016/17, costs associated with ICT projects have increased relative to earlier years. As such, the costs for this team have been smoothed over the three years 2014/15, 2015/16 and 2016/17 to estimate the average costs (this estimate is lower than would have been used if only 2016/17 costs were used). There is much uncertainty regarding future ICT costs. The Electronic Lodgement Program has commenced rollout and will be fully rolled out over the next several years (i.e. potentially leading to a reduction in ICT project costs), however, there are many other components of LRD's activities which could benefit from further ICT investment over the medium-term (for example, the Licensing and Registration System database, and further implementation of the Electronic Lodgement Program). For these reasons, a three-year average is seen to be a reasonable approach to estimating costs associated with ICT projects.

⁴⁴ A process is underway whereby LRD solicitors are being aligned to Legal Services.

Branch	Team	Activities undertaken
Assessment and Determination Unit (ADU)	Firearm Transactions and Permits – firearm dealer transactions	<ul style="list-style-type: none"> Licensing and administrative activities related to firearms dealers
	Firearm Transactions and Permits – firearms permits	<ul style="list-style-type: none"> Assessment of applications for firearms permits, both for individuals and businesses
	Licences and Authorities – longarms	<ul style="list-style-type: none"> Licensing and administrative activities related to longarms, both for individuals and businesses
Policy and Publications Unit (PPU)	PPU undertakes a range of activities to support broader LRD with respect to operational policy and procedures. Key activities include: <ul style="list-style-type: none"> Technical and legal policy / support functions Training Updates to policies and procedures Publications and stakeholder communications Responses to internal and external enquiries Review and analysis of existing and new regulation Implementation of regulatory changes across the Division Project work as directed. 	
Business Support Unit (BSU)	BSU undertakes a range of support activities for LRD. These include: <ul style="list-style-type: none"> Finance functions Human resources functions Administrative functions, such as mail processing, imaging, email responses, handling phone enquiries Other business support functions as required. 	
ICT and projects	<ul style="list-style-type: none"> Maintaining and updating local ICT systems Development of LRD's Electronic Lodgement Program (ELP) Support functions for ELP program Other project work as directed 	
Public Support and Services Department (PSSD) Executive	The PSSD Executive oversee and are ultimately responsible for the operations of all teams within LRD.	

4.5.2 Non-LRD activities and costs

Supporting, monitoring and enforcement activities completed within other Victoria Police teams and units were also considered. This included divisional operations, taskforces, referrals to and from Crime Command and Intelligence and Covert Support Command, and a range of other considerations, such as general firearms training. While these broader costs were considered, only the costs explicitly in the following table are included in the cost base for recovery through firearms fees.

Costs incurred across Victoria Police were estimated for a range of activities – referred to as 'Non-LRD costs'. These activities undertaken by areas outside of LRD have been costed on a per-FTE basis, rather than using an approach based on cost-centre data. A summary of the estimates for each of the considered activities is included in the following table. Attributable costs are those where at least a portion of the activity can be directly linked to the regulatory scheme for firearms. Where that is the case, the costs associated with the portion of that activity which arises as a result of the regulatory scheme for firearms is recoverable through fees established through the Regulations.

Table 23: Attribution of non-LRD costs to firearms

Non-LRD activities	Indicative cost (\$m)
Divisional Firearms Officers (direct activity)	3.4
Divisional Property Officers (handling legal and illegal firearms)	0.3
LRD referrals to counter-terrorism, Crime Command and other intelligence units	0.1
RSD data quality costs	0.04
Review of decisions costs	0.2
Total	4.10

Note: Where totals do not add up, this is due to the impact of rounding

The main cost item above is associated with Divisional Firearms Officers (DFOs). DFOs undertake a range of activities that relate to ensuring that firearms licensees comply with the Act and Regulations – a summary of these activities is presented in the table below. As part of the development of the RIS, consultation was undertaken with two DFOs, one in a regional area and one in a metro area. Assumptions were also tested with sworn officers within LRD. Stakeholders are invited to make submissions with respect to whether they think it is appropriate to recover these costs from regulated entities, or general taxpayers.

Table 24: Activities undertaken by DFOs in relation to the Firearms Regulations

DFO activities	
Major activities	<ul style="list-style-type: none"> Organising and delivering firearms safety courses for prospective firearms licensees (attendance at a firearms safety course is a requirement of the firearms application)
	<ul style="list-style-type: none"> Undertaking storage/premise inspections (and, where appropriate, referring these to other members for them to undertake)
	<ul style="list-style-type: none"> Responding to general firearm-related inquiries from licensees or prospective licensees
	<ul style="list-style-type: none"> Processing licence suspensions and cancellations
Other activities	<ul style="list-style-type: none"> Inspections related to populous place permits
	<ul style="list-style-type: none"> Attendance at ad hoc firearms-licensee related events (such as gun shows or opening of the duck season)
	<ul style="list-style-type: none"> Liaising with firearms dealers
	<ul style="list-style-type: none"> Processing firearms handed in (for example, in relation to deceased estates)
	<ul style="list-style-type: none"> Providing advice to assist police with investigations in relation to firearms-related offences

This costing has been developed based on the assumption that there are 24 FTE DFO positions across Victoria⁴⁵, and that approximately 95 per cent of a DFO's time is related to activities associated with firearms licensees. This estimate is likely to be a conservative estimate of the FTE required to perform this function given that, in performing the role of a DFO, DFOs are required to frequently request support from other divisional members (such as Constables and Senior Constables). All DFOs are attached to Proactive Policing Units who support their tasked activities. For example, DFOs consulted noted that of the storage inspections that they are responsible for (a key part of their function), they only personally undertake between 5 and 30 per cent of these inspections.

Another component of the non-LRD costs is the costs of reviewing decisions about firearms licence applicants/holders. There is currently one FTE in the Department of Justice and Regulation who undertakes this position (and is overseen by a VPS 6.2 role). In addition, members of the Firearms Appeals Committee are paid to attend hearings and meetings (e.g. general members are paid \$345 per day in 2017/18, and the presiding member is paid \$381 per day).⁴⁶

Attribution of overhead costs

All cost estimates included the relevant on-cost and overhead calculation components for LRD and non-LRD costs. The approaches taken for LRD and non-LRD costs are different, as LRD cost centre data included allowances for payroll tax and superannuation – as such, excluding these provisions in relation to LRD costs avoids double-counting costs.

Total cost attributions

A summary of the total attribution of costs (including both LRD and non LRD costs) to each of the sets of regulations covered by the ABC is provided in the following table.

Table 25: Victoria Police costs associated with the Firearms Regulations (2016-17)

Cost Type	Total Attributable Costs (\$m)
LRD Costs	9.3
Non LRD Costs	4.1
Total	13.4

⁴⁵ Note that one of these positions is currently vacant.

⁴⁶ In 2015, there were 92 applications for review and 22 proceeded to a hearing, and in 2016 there were 60 applications for review and 16 proceeded to a hearing.

The model developed as part of this ABC analysis incorporates financial data from the most recent full financial year (2016–17), and allocates costs to the five-year averaged volumes of licences across the period 2011–12 to 2015–16.⁴⁷ The model attributes costs to 81 ‘cost objects’ – which represent each of the fee authorities established in regulations. As an example of a cost object, Victoria Police is authorised to charge an applicant 3.59 fee units when they are issued for a permit to acquire a handgun (in 2017–18 a fee unit is equivalent to \$14.22, meaning that an applicant is charged \$51.00 in 2017–18).

4.6 Efficiency of the cost base

For the purposes of efficiency, it is important to consider whether resources used by Victoria Police in undertaking regulatory activity are appropriate to meet the needs of the community and achieve the Government’s objectives.

As an example of this, spending many hours assessing each licence application may provide a greater level of certainty about the appropriateness of granting a licence, however this should be weighed up against the cost of spending many hours assessing every application. It could be more efficient to spend a shorter period assessing most applications and devoting more time to higher risk applications.

Jurisdictional comparison

One way of assessing the efficiency of the cost base for firearms regulations in Victoria is through a comparison with the fees charged in other Australian jurisdictions. Although the National Firearms Agreement provides for a degree of uniformity in firearms regulation across Australia’s states and territories, a number of legislative differences exist. Nonetheless, it is reasonable to assume that the general requirements of the legislation and regulation of firearms are broadly similar across Australia. However, approaches to cost recovery and cross subsidisation may differ between states and territories, as might the extent of regulatory activity.

For example, NSW recently remade its firearms regulations as the Firearms Regulation 2017 (NSW). As part of that process, it did not increase its fee levels from those that were set in 2006.⁴⁸ As the fee levels were set in 2006 in nominal terms, they have been frozen at \$200 for 5 years for Category A, B, C, D and H licences (i.e. \$40 per annum) and will likely substantially under-recover the costs associated with administering the regulations. As part of the Regulatory Impact Statement, there was no discussion of cost recovery.

In 2015-16 the Western Australian Law Reform Commission undertook a review of the *Firearms Act 1973* (WA). This review followed on from a number of reforms to the regulatory regime for firearms in Western Australia, including the Firearms Amendment Regulations 2013 (WA) which increased licensing fees (with some fees more than doubling) in order to achieve full cost recovery. The Commission’s report recognised that ‘while it appears that other Australian jurisdictions have lower fees, this may be due to off-setting recovery of costs through alternative means’ and cautioned against comparing with other jurisdictions purely on a fee basis.⁴⁹ Using estimates from the activity-based costing undertaken as part of this RIS, the costs of regulated activity appear to be higher in WA for all licences except for dealer licences. Given that licence fees are much lower for all high-volume licence categories (e.g. Category A, B and C longarms), this could suggest that Victoria Police is more efficient in administering the regulatory activity (conversely, it could also indicate that WA engages in different kinds of monitoring and enforcement). Given that the Category A, B and C licence fees are significantly higher in WA, and that these are the highest volume licence categories, it is possible that WA has decided to partially cross-subsidise dealer licences from the higher volumes licence categories. It is unclear whether this is the case.

Other states have not made explicit statements about the level of cost recovery.

Notwithstanding these limitations, Victoria generally ranks in the middle of other States in fees charged for the issue of firearms licences. Permits to acquire a longarm are less costly in Victoria than any other

⁴⁷ Average costs are used given that there is not likely to be a discernible upward or downward trend in costs in the future – while it is possible that efficiencies will be achieved in the administration of the regulatory framework, it is equally likely that potential increases in community concern regarding firearms activity result in upwards pressure on the expected level of compliance and monitoring activity of Victoria Police. The model has also been updated to include data from 2016/17 for the largest volume categories. As these volumes were slightly higher in 2016/17 than in preceding years, this has the effect of slightly lowering the cost per fee application.

⁴⁸ NSW Department of Justice, 2017, *Regulatory Impact Statement for Proposed Firearms Regulation 2017 and Weapons Prohibition Regulation 2017*. Accessed at <http://www.justice.nsw.gov.au/justicepolicy/Documents/firearms-weapons-prohibition-regulation-2017/regulatory-impact-statement-firearms-weapons-prohibition-regulation-2017.pdf>. Regulations available at <http://www.justice.nsw.gov.au/justicepolicy/Documents/firearms-weapons-prohibition-regulation-2017/firearms-regulation-2017-exposure-draft.pdf>.

⁴⁹ Western Australian Law Reform Commission, 2015, *Review of the Firearms Act 1973* (WA). Accessed at http://www.lrc.justice.wa.gov.au/_files/P105_DP.pdf.

fee-charging State, while dealer fees are, depending on how costs are calculated, the highest of any State. It is important to note that in Victoria, revenues from dealers are a relatively small proportion of total fee revenues (approximately 2 per cent), but that there are relatively few dealers who pay these fees. It is possible that other states are under-recovering dealer fees through small increases in fees for the large volume of other licence categories.

The below table compares the annualised fees for a number of common licence and permit types across Australian jurisdictions.⁵⁰ It is important to note that, despite the National Firearms Agreement, there are inconsistencies between jurisdictions at many levels, and that it may be misleading to compare costs and fees as a result.

Table 26: Cross jurisdictional comparison of current annualised fees

Licence or Permit	Victoria (fee)	Victoria (current cost) ⁵¹	NSW	QLD ⁵²	WA ^{53,54}	SA	Tas
Longarm category A	\$46.64	\$46.16	\$40	\$53.70	\$105.80	\$69.20	\$27.90
Longarm category B	\$53.90	\$46.65	\$40	\$53.70	\$105.80	\$69.20	\$27.90
Longarm category C	\$53.90	\$117.62	\$40.00	\$67.20	\$140.33	\$59.20	\$27.90
Longarm category D	\$84.47	\$122.31	\$40.00	\$67.20	\$140.33	\$59.20	\$40.33
Handgun – Sporting	\$65.57	\$91.86	\$40.00	\$67.20	\$140.33	\$69.20	\$27.90
Firearms Collector	\$81.62	\$51.35	\$15.00	\$35.60	\$65.66	n/a	n/a
Firearm Dealer Class 1	\$594.53	\$658.66	\$100.00	\$409.15	\$179.20	\$416.20	\$198.40
Firearm Dealer Class 2	\$425.60	\$631.37	\$100.00	\$214.80	\$179.20	\$416.20	\$198.40
Firearm Dealer Class 3	\$255.10	\$375.60	\$100.00	\$214.80	\$158.40	\$113.20	\$198.40
Issue of replacement licence	\$25.60	\$41.8	\$75.00	\$38.60	\$33.00	\$50.00	\$12.40
Permit to acquire – longarm	\$9.20	\$25.9	\$30.00	\$38.25	n/a	\$33.00	\$20.15
Permit to acquire – handgun	\$51.00	\$68.9	\$30.00	\$38.25	n/a	\$33.00	\$20.15

4.6.1 Efficiency improvements over the life of the 2008 Regulations

This section outlines a number of efficiency improvements that Victoria Police has made to its operations since the introduction of the Regulations in 2008, focussing particularly on recent efficiency improvements. It is important to note that, while these improvements largely focus on reducing the regulatory burden for firearms licensees, many also decrease Victoria Police's costs of administering the regulatory framework.

Victoria Police considers that it is important to note that improvements to administrative efficiency for end users of services provided by LRD must be balanced with the overriding responsibility to ensure community safety through effective and meaningful regulation of the firearm industry. That is, it is not appropriate for LRD to reduce costs where this could result in unjustifiable decreases in the level of public safety as a result of increased firearms risks.

The list of efficiency improvements below are categorised broadly into: efficiencies that reduce the compliance costs of regulated parties (e.g. time taken for an applicant to complete an application), and efficiencies that reduce the regulatory cost base (and therefore reduce fees paid).

Efficiency improvements noted by Victoria Police which reduce the costs of regulated parties and, in some cases, the regulatory cost base include:

- Introducing BPAY as a payment method option for new and renewal firearm licences in November 2015 to facilitate licence payment. Prior to the introduction of BPAY, licence holders were required to attend a Westpac Bank branch in person and make payment for their licence in

⁵⁰ A lack of a comparable permit or licence category has required information from one or more jurisdictions to be omitted, while in other cases licences or permits that are approximately equivalent in function have been used for comparison.

⁵¹ As indicated by the activity-based costing exercise discussed in later sections.

⁵² Queensland charges both an application and annual fee for most licence classes. As a result, the per annum cost on a licence is relative to the number of years that it is maintained. In order to facilitate a comparison with other jurisdictions, these figures presume that a licence is maintained for a number of years equal to the duration of the equivalent Victorian licence type.

⁵³ Western Australian licences include a higher fee for the first year of their issue, followed by a lower renewal fee. As a result, the per annum cost on a licence is relative to the number of years that it is maintained. In order to facilitate a comparison with other jurisdictions, these figures presume that a licence is maintained for a number of years equal to the duration of the equivalent Victorian licence type.

⁵⁴ Firearm Collector fee based on a 6 year duration (one 3-year initial licence and one 3-year renewal of that licence).

cash or cheque. This requirement was particularly burdensome for regional and rural licence holders, some of who were required to travel significant distances to make payments. The introduction of BPAY has afforded greater convenience and reduced travel costs for licence holders who no longer have to attend a bank branch in person during business hours. The result of this change is reduced compliance costs for regulated parties.

- Introducing and reviewing productivity indicators for core tasks related to the processing of new and renewal applications and permits. By setting handling targets for employees, the registry is better able to track and manage service level demands to ensure efficient and acceptable timeframes for the processing of applications. This change is likely to have resulted in a reduced regulatory cost base.
- Removing the requirement for payment notices to carry a bank stamp before being allowed to have a photo taken at nominated VicRoads photo points. LRD removed requirements for VicRoads employees to sight evidence of payment before taking photos for plastic licence cards when introducing BPAY as a payment method. As nominated VicRoads photo points are not always in close proximity to Westpac branches, this change together with the benefits of electronic payment for licensing fees, has afforded greater convenience and reduced travel costs for licence holders. As the requirement for photos are unchanged, the risks in the process are unchanged. The result of this change is reduced compliance costs for regulated parties.
- Expanding the Online Dealers System (OLDS) to include more than 100 firearms dealers to allow the recording of firearm transaction and lodging of permit to acquire. Although dealers are still required to check particulars and validate information with LRD, OLDS does facilitate the submission, reviewing and processing of firearm transactions and permits to acquire in real time. OLDS users also benefit from reductions in paper costs and processing times and licence holders are generally able to benefit from the efficiency improvements offered by OLDS through more expedient processing by the regulator. This change is likely to have resulted in both a reduced regulatory cost base and reduced compliance costs for regulated parties.
- Piloting a revised reporting model for handgun participation to assist handgun clubs meet their requirements under Section 123C of the Act. If the pilot is successful, the reporting model, which utilises a basic spreadsheet template, will be implemented more broadly. The effect of this will be to improve record-keeping capacity and reduce regulatory burden for handgun clubs and improve efficiencies for the regulator in identifying and acting on licence holders who have failed to meet their requalification obligations (a requirement under the Act). The revised reporting model will also provide Victoria Police with efficiency improvements, by allowing faster identification and action on licence holders failing to meet participation requirements. This change is likely to have resulted in both a reduced regulatory cost base and reduced compliance costs for regulated parties.
- Setting a common expiry date for firearm requalification training for holders of firearm licences issued for the genuine reason of security guard or prison guard. By setting a common expiry date, employers are able to manage requalification training for employees (this provides greater flexibility for employers to manage their requalification requirements in line with their business needs), the requalification process has been streamlined for individual licence holders and the regulator is able to more easily identify and act on licence holders who have failed to meet their requalification obligations. This change is likely to have resulted in both a reduced regulatory cost base and reduced compliance costs for regulated parties.
- Reviewing and amending licence conditions for approved hunting clubs and organisations to remove burdensome recording keeping requirements. Approved hunting clubs and organisations are no longer required to provide written advice to the Chief Commissioner regarding members who cease financial membership or provide written advice regarding decisions to accept or refuse new memberships. The result of this change is reduced compliance costs for regulated parties.

LRD has also recently commenced work on phase two of the Electronic Lodgement Process (ELP) project, first introduced in June 2017 for new private security licence applications. ELP allows licence applications to be completed and lodged through an online portal. The major objective of the ELP project's second phase is to transition applications for new firearms licences from manual paper forms to online to electronic smart application forms via the Victoria Police eServices platform.⁵⁵ Scoping the risks, benefits and costs of aligning expiry dates for individuals who hold multiple category firearms licences is also under consideration. Stakeholders are invited to provide comments on the feasibility of this approach, and the pros and cons of this approach. The impact of the ELP on Licensing and

⁵⁵ Despite the introduction of ELP, there will be steps in the process which cannot be automated due to legislative requirements (not within the scope of this RIS), and as such, firearms licence applications will continue to include manual handling steps.

Regulation Division's processes was factored into the activity-based costing undertaken to support this RIS.

Future improvements to the eServices platform may include identification validation, which will reduce the burden on applicants to provide certified identification, a payment portal for the upfront payment of licencing fees, reducing delays resulting from the printing and posting of payment notices, and the ability to update personal details like postal addresses, storage address and contact phone numbers.

4.7 Fee-related strategic options and assessment

This RIS includes an assessment of two fee-related options:

- **Option 1 – Full cost recovery:** Modify the fee structure and levels to achieve full cost recovery and address cross subsidies in line with the Activity Based Costing, remove waivers and introduce an application fee.
- **Option 2 – Partial cost recovery:** Modify the fee structure and levels to move towards full cost recovery, but maintain the primary production exemption, maintain fees at the current rates for junior licences, provisional licences and reviewing decisions, and introduce a concession for older firearms licence applicants and certain pensioners.

Option 1 is the full cost recovery option in that it is projected to generate revenue equal to the projected costs of administering those elements of the regulatory regime for which costs are recoverable.

Option 2 include a number of deviations from full cost recovery, including exemptions on public policy grounds for certain classes of applicants or licences, as discussed below.

Table 27 below provides a summary of results from the three strategic options. The table includes revenue generated, the percentage of costs recovered, the multi-criteria assessment score (with Option 2 scoring the highest) and the key features of each option that drive these differences.

Table 27: Summary of total projected revenue and rate of cost recovery for each option

	Base case	Option 1: Full cost recovery	Option 2: Partial cost recovery	Current regulations: Partial cost recovery
Total revenue (17/18 \$)	\$0.0 million	\$13.7 million	\$11.1 million	\$10.7 million
Percentage of costs recovered	0%	100%	81%	78%
Multi-criteria assessment	0	3.2	3.5	N/A
Key features of this option	<ul style="list-style-type: none"> • No fees charged • All costs recovered from general taxpayers 	<ul style="list-style-type: none"> • Addresses cross subsidies between licence and permit categories, and between general taxpayers and firearm users • Addresses under-recovery identified through ABC modelling • Introduces application fee • Eliminates primary production waiver • No contribution from general revenue 	<ul style="list-style-type: none"> • Partially addresses cross subsidies between licence and permit categories • Addresses some under-recovery, but relative to Option 1, this option smooths the impact of large fee increases for certain fee categories by holding fees constant for other fee categories which would have decreased under Option 1 • Maintains primary production waiver • No change in current fee for junior licences, provisional licences and decision reviews (each would have increased by 	<ul style="list-style-type: none"> • Re-make the Regulations without any changes

	Base case	Option 1: Full cost recovery	Option 2: Partial cost recovery	Current regulations: Partial cost recovery
			over 100 per cent under Option 1) <ul style="list-style-type: none"> Introduces a new 25% discount in fees for pensioners and the aged Remaining 19 per cent of associated costs funded through consolidated revenue 	

Detailed fee tables have been produced for each of these options and are shown in Appendix 2. These include the:

- fee for all 52 licence/permit categories;
- total amount recovered for each licence/permit category;
- percentage change in fees as compared to the current fees, based on the 2017–18 value of a fee unit; and
- dollar amount recovered as compared to the current fees.

While this section includes the two overarching fee-options that are assessed through this RIS, a number of more specific, 'sub-options' are considered within the assessment of each option.

4.7.1 Assessment approach

This section assesses the range of fee options. The options are assessed using a multi-criteria analysis (MCA) which rates each option against a series of assessment criteria which are weighted according to their importance.

The MCA framework is particularly useful where it is not possible to quantitatively estimate the benefits and costs of each option, and largely only qualitative evidence is available. The *Victorian Guide to Regulation* indicates that MCAs should be used to compare proposed options against a chosen series of criteria reflecting their key benefits and costs.

The process for assigning a score under the MCA is as follows:

- assign an option a score between -10 and +10 based on a qualitative assessment against each of the criteria (with the base case scoring 0 as the baseline);
- multiply by a weighting which reflects the relative importance of the criterion; and
- generate a weighted score for comparison with other options.

Table 28: Multi-criteria assessment criteria and weightings

Criterion	Rationale	Weighting
Efficiency	<ul style="list-style-type: none"> An assessment of whether the full costs of regulatory activity are incorporated into costs for firearms fees, and thus provide a price signal as to the efficient level of firearms activity 	25%
Equity	<ul style="list-style-type: none"> An assessment of whether the full cost of government activities associated with firearms licensees are fully recovered from the beneficiaries of those activities and the industry participants who give rise to the need for those activities, in both the short and long-term 	25%
Alignment with objectives of the Act	<ul style="list-style-type: none"> An assessment of whether the fees are consistent with the primary objectives prescribed in the Act for the firearms industry related to safety and public peace 	30%

Criterion	Rationale	Weighting
Administrative complexity	<ul style="list-style-type: none"> An assessment of whether the fees result in administrative complexity for Government or the regulated community. For example, administrative complexity could occur on a one-off basis where Victoria Police incurs costs associated with changing systems to incorporate new fee categories, or could be associated with ongoing costs where changed fee categories result in additional ongoing work for Victoria Police to process payments or calculate fees. 	20%

The MCA uses relative weightings for each of the criteria of 25 per cent for efficiency, 25 per cent for equity, 30 per cent for alignment with objectives of the Act and 20 per cent for administrative complexity. The first and second criteria are important in that they pursue efficient and equitable cost recovery in remaking the fees. The secondary objectives of alignment with government objectives and administrative complexity are weighted as 30 and 20 per cent, respectively, which reflects the Government's aim to minimise the likelihood that the fees will incentivise behaviour which increases risks to community safety and peace, and to decrease the costs to industry and government associated with fee changes that result in fees which are burdensome to administer and comply with.

Each fee option is scored against each of the criteria on a scale of -10 to +10 with the base case reflecting a score of '0' as it reflects the situation that will occur in the absence of the Regulations.

4.7.2 Fee-Option 1 – Full cost recovery

Description of Option

This option would adjust all fee levels in line with the findings of the ABC modelling.⁵⁶ If implemented, it is projected that this option would achieve full cost recovery by making the following changes to the Regulations:

- Achieving full cost recovery in line with the outcomes of the ABC modelling through; eliminating cross subsidies between licence and permit categories; addressing the under-recovery identified of approximately \$1.0 million per annum; and eliminating the primary production waiver of approximately \$2.0 million per annum.
- Incorporating the preferred non-fee options 5 (see above)—that is, updating licence categories so that Class 2 dealers can sell category C longarms, introducing a new paintball marker dealer licence, prescribing a fee for permits to acquire for category D and E longarms, and prescribing a fee for permits under section 130 of the Act.
- Creation of an application fee for all licence categories. That is, fees would be partially payable for the lodgement of an applications, and partially payable for the issue or renewal of the licence, permit or approval is (noting that this may affect the timing of payments, but the overall fee to be charged would remain the same).

Alterations as a result of the ABC modelling

As previously discussed earlier in this section, detailed ABC modelling was undertaken to support consideration of appropriate levels of each fee, with the aim of identifying areas where some licence holders were cross-subsidising other licence holders (by way of under-recovery in some categories and over-recovery in other categories), or where licence holders in general were cross-subsidised by taxpayers (i.e. under-recovery overall).

This option eliminates all current cross-subsidies between licence holder sub-groups and taxpayers more generally, and is therefore the most efficient outcome as each sub-class of regulated entities bears the current cost of regulating their specific firearms activities. That is, each sub-class is given an accurate signal, by way of the licence or permit, of how much effort goes into regulating their activities.

This option was chosen for inclusion in the RIS on the basis that:

- it is projected to recover all costs associated with administering the firearms regulatory framework, and
- it would create a more equitable and efficient fee structure by addressing existing cross subsidies between licence and permit categories.

⁵⁶ As part of maintaining the current fee structure, fees would continue to be prescribed separately for individuals and bodies corporate for licences and approvals. The appropriate level of the relative cost for individual and bodies corporate was tested through the activity-based costing exercise.

One result of the ABC modelling which was of particular interest to stakeholders was the relatively high fees charged to handgun licensees (and for handgun permits to acquire). The underlying reason for this difference is that Licensing and Regulation Division spend relatively more resources in assessing applications for these applicants—particularly in relation to the assessments regarding prohibited persons, competency assessment, physical/mental health assessment, and assessment of genuine reason. Further, in relation to handgun licences, the duration for the licence is three years (as compared to a licence for a Category A or B Longarm which is five years), meaning that applications are received more frequently. The ABC modelling is discussed further in Appendix 3.

As based on the ABC modelling, the proposed (and existing) Regulations offer different fee rates for individuals and businesses for licences. While not a perfect proxy for the complexity in regulating each different type of firearms applicant, this allows for some degree of differentiation based on the type of applicant for each firearms licence – where business licences are more expensive because they generally have a number of people associated with the licence.

Introduction of an application fee

Under the current Regulations, fees are payable only if a licence, permit or approval is granted. If an application is rejected, even though there has been substantial regulatory effort, the applicant does not pay any fee.

Under this proposal, fees would be payable for the lodgement of an applications, as well as for the issue or renewal of a licence. It would not apply to permits and approvals, for all fee categories.

This option was advanced for consideration for two reasons:

- Under the current arrangements, applicants who lodge unsuccessful applications pay no fee and, as such, have no financial disincentive for incomplete applications, or for applications with a high probability of rejection. The introduction of an application fee, rather than just a fee payable when a licence is issued, may help to dissuade individuals from making incomplete or poorly considered applications.
- Currently, the fee structure for firearms regulations is configured such that the cost of processing the nine percent of applications which are rejected, abandoned or discarded⁵⁷ are cross-subsidised by successful applicants through their licence fees. This is a deviation from the principles of equity and efficiency that apply to cost recovery.

From an administrative point of view, it would be necessary to adjust existing processes so that payment could be collected at a point in the application processes they are not currently configured for (namely at the point the licence application is received).

The increase in complexity, both for applicants and LRD, may be offset through a fall in the number of rejected applications. If the proposal results in fewer applications being submitted which are incomplete or poorly completed, this would reduce the administrative costs of LRD associated with processing these applications (with a commensurate reduction in the costs that must be recovered through fees).

There is limited available information on the precise costs incurred by LRD in processing each rejected application, and the extent to which this sub-option would result in fewer rejected applications. Examination of LRD's activities suggests that, on average, the application process accounts for roughly 30–50 per cent of the total costs associated with each licence applied for (including successful applications), while the balance of the costs are associated with compliance and enforcement activities.⁵⁸ Given that rejected applications likely require more processing time (due to relatively time-consuming processes related to gathering evidence to justify a decision to refuse licence applications) using the higher end of this estimate is considered reasonable when dealing with rejected applications. This suggests that, in the absence of this sub-option, unsuccessful applicants would enjoy a cross-subsidy equal to approximately half of a full licence fee, with the cost being borne by successful applicants through their licence fees (note that given the low volume of unsuccessful applicants – the net effect of this on the fees of successful applicants is likely to be higher fees of approximately 3–5 per cent). The introduction of an application fee based system would address this equity issue.

⁵⁷ Victoria Police data. In 2016-17, 91 per cent of applications were approved, 1.3 per cent were declined, and 7.8 per cent were abandoned or discarded.

⁵⁸ Note that while for licences there is a time-limited duration (e.g. being approved for three or five years), for permits to acquire (and other fee categories where there is no time-limited duration) all of Victoria Police's costs are incurred at the time the application is assessed and there are technically no ongoing costs of regulatory activity. For this reason, an application fee is only proposed for licences, not permits or approvals.

Evaluation of Option

Under this option, fees for all licence and permit categories would experience some change as compared to the status quo, with some categories undergoing shifts of several hundred percent. The table below includes the multi-criteria assessment for this Option.

Table 29: Multi-criteria assessment of fee-option 1

Criterion	Assessment	Score	Weighting	Weighted score
Efficiency	<ul style="list-style-type: none"> This option is projected to recover 100 per cent of costs attributable to the regulatory scheme for firearms. This option provides a direct price signal to members of the regulated community as to the cost of their activities by tying all fees directly to the attributable costs incurred in maintaining the regulatory regime and apportioning them in line with the Activity Based Costing. This option is therefore completely 'efficient' from an economic perspective and has been given an efficiency score of 10. This proposal would send a price signal as to the true cost of administering applications that go on to be rejected. 	10	25%	2.5
Equity	<ul style="list-style-type: none"> The introduction of fees under this option would achieve complete horizontal equity. The cost of the regulatory regime for firearms in Victoria would be borne by the regulated community who, through their use, ownership, and/or trade in firearms give rise to the recoverable costs incurred in administering the regulatory regime. There would be no need for a contribution from taxpayers generally. The fee structure under this option would not involve any cross-subsidies between licence/permit categories. Compared to the status quo, this option will improve equity between successful and unsuccessful applicants, as applicants whose applications are rejected will no longer be subsidised by those who successfully obtain their licences. 	10	25%	2.5
Alignment with objectives of the Act	<ul style="list-style-type: none"> Compared to the base case, this option introduces fees. These fees may act as a small deterrent to persons wishing to use or deal in firearms from seeking and maintaining the requisite licences, permits or approvals, thereby reducing the efficacy of the regulatory regime. However, it should be noted that these fees are generally small relative to the other costs of participating in this industry, such as the costs of purchasing, maintaining, and storing firearms. In particular, requiring licence fees to be paid by primary producers may deter primary producers from owning a firearm for the purpose of pest control (noting that fees associated with a firearm licence are only one cost associated with a firearm), or from being appropriately licensed (noting, however, that this expense may be partially offset by income tax deductions). 	-4	30%	-1.2
Administrative complexity	<ul style="list-style-type: none"> Relative to the base case, this option would be somewhat more complex, simply because it introduces fees. The introduction of an application fee would create additional complexity within the fee schedules relative 	-3	20%	-0.6

Criterion	Assessment	Score	Weighting	Weighted score
	<p>to the current situation, by requiring additional fees to be prescribed for all categories, and the elimination of waivers would require fee collection activities in a greater proportion of licence collections. It does not, however, require a radical overhaul of the administrative scheme.</p> <ul style="list-style-type: none"> Given that processing a rejected application often takes greater time and effort than granting one, a reduction in rejected applications due to the financial disincentive provided by the application fee would help reduce the overall administrative effort required to operate the licensing system. This proposal would require adjusting existing procedures and processes to accept payments at the application stage. 			
Total score				3.2

Consultation questions:

Would full cost recovery impact licensee behaviour? If so, in what ways?

4.7.3 Fee Option 2 – Partial cost recovery

Overview of Option

Option 2 is discussed throughout this section.

Option 2 should be thought of as commencing from the same starting point as Option 1 (i.e. moving to full cost recovery, including the application fee and new Class 2 dealer structure). However, Option 2 makes a series of deviations from the approach under Option 1. Each of these deviations are described and analysed individually throughout this section in a separate table which outlines the assessment against each of the criteria.

Note that the Regulations prescribe fees in fee units, which increase each year by the Treasurer's annual rate. For simplicity, this RIS compares current fees to the 2017–18 dollar value of the fee units that would be set under Options 1 or 2.

This option would largely adjust fee levels in line with the findings of the ABC. However, in order to better align with government objectives, Option 2 includes the following deviations:

- re-making the primary production waiver that provides an exemption from longarm licence fees if the genuine reason is primary production.
- retaining the current fee level for junior licences
- retaining the current fee level for provisional licences
- retaining the current fee level for decision reviews
- creating a concession scheme for firearms licences
- smoothing the impact of fee changes, by halving the size of any increases, and retaining current fee levels for licence fees which would decrease under Option 1.

As a result, this option is projected to recover 81 per cent of all costs, with the remaining \$2.61 million being funded through consolidated revenue. This represents an increase in the level of costs recovered over all from current levels, which generates around 78% of recoverable costs.

This option was chosen for inclusion for a number of reasons, including:

- it reduces many of the cross subsidies that exist under the existing fee regime, and

- it aims to achieve a large level of cost recovery over all, with the exception of the primary production waiver and maintaining junior licences at current levels, maintaining provisional licences at current levels, maintaining decision review fees at current levels, and introducing a concession for older licence applicants, where full cost recovery may not be appropriate given potential positive externalities and broader government policy objectives.

Primary production waiver

The current regulations include a fee waiver for licence applicants who hold their licence for the genuine reason of primary production. This waiver was introduced in 1972,⁵⁹ and an equivalent waiver is available in NSW.⁶⁰ It is estimated to result in forgone revenue of \$2.0 million in 2017–18.⁶¹

The inclusion of the primary production waiver is justified on the basis that it may help to curb the impact of invasive species, which have significant impact on Victoria's primary industries, natural ecosystems, human and animal health, and are one of the main threats to biodiversity in Australia today.⁶²

According to the 2017 *State of the Environment* report:⁶³

'In 2009, the annual cost of invasive pests and plants to the Victorian economy was estimated to be over \$900 million alone. This primarily represents lost production and management costs, as the cost of invasive species to native biodiversity is largely incalculable. Between 2007–08 and 2011–12, the Victorian Government spent \$139 million on pest species management on private land alone. The high costs associated with the control of pest species reduce the resources available for other environmental management activities.'

Further, in 2010, the Invasive Animals Co-operative Research Centre published a report that estimated the direct national annual impact of only six invasive animal species (wild dogs, foxes, mice, wild pigs, rabbits, and starlings) at \$743.5 million in lost agricultural production and expenditure on management, administration, and research⁶⁴. This report notes that this estimate does not include a valuation of the environmental loss and therefore underestimates the impact of these invasive species in Australia.

The environmental damage these species can cause includes displacing or preying on native species, spreading weeds, contributing to soil erosion, degrading water supplies, damaging biodiversity, and spreading exotic diseases which can be transferred to native fauna.⁶⁵ These species also have damaging social impacts, including disruption to farm activities, distress associated with loss of production and livestock predation.

The control of pest animals is thus both of interest to the wider community, and a Government objective, as demonstrated by the considerable resources expended by the Victorian Government on pest control efforts. That being the case, actions by Victorian primary producers to control pest animals have generated a positive externality, by mitigating the harm these species cause to others and relieving some of the pressure on government pest control efforts.

The Act was intended to recognise the practical requirements for primary producers to keep firearms for the purpose of pest control.⁶⁶ The inclusion of the proposed primary production waiver can be justified on the grounds that it is in line with the intention of the Act, and because it supports the broader Government objective of controlling invasive pest species.

It is important to note that firearms are only one form of pest control, and that primary producers have other alternatives such as baiting. Further, it should be noted that some component of a primary producer's pest control activities result in private benefits, given that the removal of pests is likely to result in their land being more productive or having better amenity. Given this, the extent to which not remaking the primary producer waiver would result in fewer farmers applying for licences to use firearms in pest control is not clear.

While there is no evidence to suggest that removing the waiver would reduce pest control activity, and although the waiver results in \$2 million of cross subsidy from consolidated revenue and would be less

⁵⁹ *Firearms (Amendment) Act 1972*.

⁶⁰ Firearms Regulation 2017 (NSW) r 114(3).

⁶¹ This estimate is based on Victoria Police data for primary producer waivers for less than 8,000 applications, distributed across Category A, B and C longarm licensees. To some extent this waiver may overlap with the waiver for category A/B longarm licences where a category C longarm licence is already held.

⁶² Agriculture Victoria, *Invasive animal management*, <http://agriculture.vic.gov.au/agriculture/pests-diseases-and-weeds/pest-animals/invasive-animal-management>, accessed September 2017.

⁶³ Commissioner for Environmental Sustainability Victoria, 2013, *Victoria: State of the Environment*, 97. Accessed October 2017 at <http://www.ces.vic.gov.au/sites/default/files/publication-documents/2013%20SoE%20report%20full.pdf>.

⁶⁴ *Ibid.*

⁶⁵ *Ibid.*

⁶⁶ Victoria, *Parliamentary Debates*, Legislative Assembly, Tuesday 31 October 1996, 1004 (W D McGrath, Minister for Police and Emergency Services).

efficient than full cost recovery, the Department's view is that avoiding large increases in or the introduction of new fees, and the corresponding risks of noncompliance, outweighs these concerns. As such, **this component is included as part of the preferred option.**

Table 30: Discussion of sub-option against criteria

Criterion	Discussion
Efficiency	<ul style="list-style-type: none"> Relative to Option 1, this option would have lower efficiency given that primary producers would not pay the efficient costs associated with firearms regulatory activity
Equity	<ul style="list-style-type: none"> Relative to Option 1, this option would have lower equity given that primary producers would not pay the costs associated with firearms regulatory activity
Alignment with objectives of the Act	<ul style="list-style-type: none"> Relative to Option 1, this option will have a minor benefit for the safety and public peace objectives of the Act, to the extent that exempting primary producers from paying fees encourages them to participate in compliant firearm conduct (e.g. being licensed, and therefore having to undergo storage inspections).
Administrative complexity	<ul style="list-style-type: none"> Relative to Option 1, this option would have minor benefits for administrative complexity, given that Victoria Police will not need to change its current systems in order to facilitate changes to charging primary producers.

Consultation questions:

What impact would an end to the primary production waiver have on pest control activity and how are primary producers likely to respond or adapt in the event that it is discontinued?

Maintaining junior licence fees at current levels

Under Option 1, junior licence fees would increase by 344 per cent to \$232.80.

A junior licence is issued to a minor (under 18 years) for a period of up to three years, and allows the holder to use firearms when they are accompanied by an adult licensed firearm holder. A junior licence holder is not permitted to own a firearm.⁶⁷

This option includes maintaining junior licence fees at their current levels. Junior licence fees would be retained at current fee levels (i.e. they would be the same in terms of the level of fees units in 2017-18, and continue to be indexed as per the Treasurer's Rate). Under Option 1, this licence category would have generated approximately \$700,000 in revenue, but under Option 2, it generates approximately \$150,000 in revenue. As such, the result is an under-recovery from this licence category of approximately \$550,000.

In relation to maintaining junior licence fees, the key rationale is as follows:

- Increasing licence fees may discourage junior licence holders from entering into compliance with the regulatory framework—it is possible that this would have longer term implications for compliance behaviour. That said, it is important to note that the existing fee (\$52.5 in 2017–18) will also pose a disincentive to complying to an extent, and that the relative disincentive between Option 1 and Option 2 would therefore be the difference in the level of fees under each option (\$232.8 under Option 1, and \$52.5 under Option 2). A common theme in responses to the 2008 RIS was that increasing licence fees for juniors would not stop them from learning to shoot (while being non-compliant), but it would stop them from being licensed to do so.
- There was strong feedback to the 2008 RIS from various stakeholders opposing an increase in junior licence fees – 31 stakeholders considered that fee increases for junior licences would discourage young people from taking up sport shooting. Based on consultation feedback, target shooting at the elite level generally involves participants who commenced shooting as juniors.
- The limited financial resources of shooters under the age of 18 may result in disproportionate impacts for families who are not able to meet the cost of fee increases. However, this would not be

⁶⁷ *Firearms Act 1996*, section 18.

the same for all families given that they may be able to fund this cost, and that firearms licence fees are only one, relatively small component of the costs of participating in shooting.

The Department is notionally allocating \$450,000 of over-recovered revenue (see the discussion on smoothing below) to cover most of \$550,000 subsidy of junior firearms users, on the basis that stakeholders have emphasised that they would be willing to bear an additional cost for some services if it would help keep fees for junior licences low. The Department notes that the \$450,000 of over-recovered revenue is not being deliberately raised for this purpose—it is left over as a result of the method used to smooth any increases in fees. The remaining \$100,000 of cost of subsidising junior firearms users will be covered by consolidated revenue.

The Department's view is that while maintaining junior licence fees results in a cross-subsidy from other firearms users and a small subsidy from all Victorians, and would reduce the efficiency of the price signal sent to junior firearms users about the costs of their activities, these disadvantages are offset by the benefits of mitigating the risk that further increases would result in noncompliance, and/or may undermine Victoria's representation and success in target shooting competitions. As such, **this component is included as part of the preferred option.**

An alternative formulation of this option would be phasing in increases in fees over time; however, this has not been pursued. If stakeholders consider that charging the full cost for these applications would be beneficial, this feedback can be provided in public submissions.

Table 31: Discussion of sub-option against criteria

Criterion	Discussion
Efficiency	<ul style="list-style-type: none"> Relative to Option 1, this option reduces efficiency because junior licence applicants would not have an efficient price signal for the cost of regulating them
Equity	<ul style="list-style-type: none"> Relative to Option 1, this option would have lower equity given that junior licence applicants would not pay the full costs associated with firearms regulatory activity, and these costs would largely be met by over-recovered revenue, with a small component of costs covered by general taxpayers
Alignment with objectives of the Act	<ul style="list-style-type: none"> Relative to Option 1, this option will have a minor benefit for the safety and public peace objectives of the Act, to the extent that maintaining fees at the current rates for junior licences encourages firearms licensees to participate in compliant firearm conduct (e.g. through being licensed, and learning about compliance requirements).
Administrative complexity	<ul style="list-style-type: none"> Relative to Option 1, this option has minor benefits for administrative complexity, given that Victoria Police will not need to change its current systems in order to facilitate any changes.

Consultation questions:

What impact would an increase in junior licence fees have on juniors engaging in and learning about complaint firearms conduct, and participation in shooting sports?

Does this impact justify the proposed cross subsidy?

Would it be more appropriate to phase in changes over time to achieve full cost recovery?

Maintaining provisional licence fees at current levels

Under Option 1, provisional handgun licence fees would increase by 153 per cent to \$276.10.

A provisional licence provides applicants with the ability to attain the preliminary requirement to qualify for a general category handgun licence. A provisional licence is held for between 6–12 months, and cannot be renewed. It does not permit the holder to own handguns.

This option keeps provisional licence fees at their current levels. Provisional licence fees would be retained at current fee levels (i.e. they would be the same in terms of the level of fees units in 2017–18, and continue to be indexed as per the Treasurer's Rate). Under Option 1, this licence category would have generated approximately \$120,000 in revenue, but under Option 2, it generates approximately

\$50,000 in revenue. As such, the result is an under-recovery from this licence category of approximately \$70,000.

In relation to provisional licences, the key rationale is as follows:

- Provisional licences are a pathway to gaining a full general category handgun licence. As such, provisional licences are an important component of encouraging participating in compliant firearm conduct, for example, through being licensed and learning about compliance requirements. Increasing provisional licence fees may pose a disincentive to entering into the regulated firearms community. It is important to note, that there are fees under the current arrangements, and as such the extent of any additional distinctive between Option 1 and Option 2 would be the difference in the levels of the two fees (\$276.1 under Option 1, and \$109.2 under Option 2).
- The Department notes that the revenue impact of this change is small.

The Department's view is that maintaining provisional licence fees at their current fee level is worth doing because despite this approach resulting in cross-subsidy of this group by approximately \$70,000 and resulting in an inefficient price signal being sent to this group of licensees, the benefits of encouraging compliant firearms conduct outweigh these costs. As such, **this component is included as part of the preferred option**. It is proposed to be funded from general revenue, for the reasons discussed below.

An alternative formulation of this option would be phasing in increases in fees over time, however, this has not been pursued – stakeholders can respond to this RIS if they consider that charging full cost for these applications would be beneficial.

Table 32: Discussion of sub-option against criteria

Criterion	Discussion
Efficiency	<ul style="list-style-type: none"> • Relative to Option 1, this option reduces efficiency because provisional licence applicants would not have an efficient price signal for the cost of regulating them
Equity	<ul style="list-style-type: none"> • Relative to Option 1, this option would have lower equity given that provisional licence applicants would not pay the full costs associated with firearms regulatory activity, and these costs would largely be met by general taxpayers
Alignment with objectives of the Act	<ul style="list-style-type: none"> • Relative to Option 1, this option will have a minor benefit for the safety and public peace objectives of the Act, to the extent that maintaining fees at the current rates for provisional licensees encourages increases in compliant firearm conduct (e.g. through encouraging a pathway to being licensed, and learning about compliance requirements).
Administrative complexity	<ul style="list-style-type: none"> • Relative to Option 1, this option has minor benefits for administrative complexity, given that Victoria Police will not need to change its current systems in order to facilitate any changes.

Consultation questions:

What impact would an increase in provisional licence fees have on new shooters undertaking compliant firearms conduct?

Does this impact justify the proposed cross subsidy?

Would it be more appropriate to phase in changes over time to achieve full cost recovery?

Maintaining decision review fees at current levels

Under Option 1, decision review fees would increase 682 per cent to \$332.6.⁶⁸

⁶⁸ This excludes additional costs incurred by the Department of Justice and Regulation to the value of \$130,000 per annum—this relates to the activities undertaken within the Department by the VPS 4 staff member and VPS 6 supervising officer in facilitating the activities of the Firearms Appeals Committee.

A decision review fee is paid where an applicant for a firearms licence appeals a decision of Victoria Police with regards to their licence.

This option includes maintaining decision review fees at their current levels. Decision review fees would be retained at current fee levels (i.e. they would be the same in terms of the level of fees units in 2017–18, and continue to be indexed as per the Treasurer's Rate). Under Option 1, this licence category would have generated approximately \$25,000 in revenue, but under Option 2, it generates approximately \$5,000 in revenue. As such, the result is an under-recovery from this licence category of approximately \$20,000.

In relation to decision reviews, the key rationale is as follows:

- access to the right to review benefits all firearms licence holders, regardless of whether they use the appeal mechanism. If this fee were charged on a full cost-recovery basis, the fee could pose an impediment to accessing a review mechanism under the firearms licensing framework. If firearms licence applicants perceive that there is not appropriate access to appeal arrangements, it could result in a lower degree of confidence in the licence assessment process, and thereby have the unintended consequence of discouraging firearms licence applications. It is important to note that there are fees under the current arrangements, and as such, the extent of any additional distinctive between Option 1 and Option 2 would be the difference in the levels of the two fees (\$332.6 under Option 1, and \$42.7 under Option 2).
- the fee for review of a decision is only one small component of the costs to the appellant – the others being time costs associated with submitting an appeal, and potential legal costs associated with gaining representation. However, as it is a more obvious cost as part of the appeals process, it is likely to influence appellant behaviour.
- The Department notes that the revenue impact of this change is small.

The Department's view is that maintaining decision review fees at their current fee levels is worth doing because despite it resulting in a cross-subsidy of \$20,000 and not sending an efficient price signal to appellants, the benefits associated with ensuring access to an appeals mechanism for all firearms applicants provides confidence in the integrity of the regulatory framework, and in doing so, encourages compliant firearms conduct. As such, **this component is included as part of the preferred option**. It is proposed to be funded from general revenue, for the reasons discussed below.

An alternative formulation of this option would be phasing in increases in fees over time, however, this has not been pursued – stakeholders can respond to this RIS if they consider that charging full cost for these applications would be beneficial.

Table 33: Discussion of sub-option against criteria

Criterion	Discussion
Efficiency	<ul style="list-style-type: none"> • Relative to Option 1, this option reduces efficiency because decision review applicants would not have an efficient price signal for the cost of regulating them
Equity	<ul style="list-style-type: none"> • Relative to Option 1, this option would have lower equity given that decision review applicants would not pay the full costs associated with firearms regulatory activity, and these costs would largely be met by general taxpayers
Alignment with objectives of the Act	<ul style="list-style-type: none"> • Relative to Option 1, this option will have a minor benefit for the safety and public peace objectives of the Act, to the extent that maintaining fees at the current rates for decision reviews provides confidence in the firearms application assessment process, and thereby encourages compliant firearm conduct (e.g. through being licensed).
Administrative complexity	<ul style="list-style-type: none"> • Relative to Option 1, this option has minor benefits for administrative complexity, given that Victoria Police will not need to change its current systems in order to facilitate any changes.

Consultation questions:

What impact would an increase in decision review fees have on firearms licensees having confidence in the firearms licence regulatory assessment process?

Does this impact justify the proposed cross subsidy?

Would it be more appropriate to phase in changes over time to achieve full cost recovery?

Creation of a concession scheme for firearm licences

Under this proposal discounts would be available for firearms licences granted under Part 2 of the Act. Applicants would be eligible for the discount if they are over the age of 70 and/or an 'eligible recipient' within the meaning of the *State Concessions Act 2004*. Essentially, this would mean that any applicant who held a Commonwealth pensioner concession card or a Department of Veteran's Affairs (DVA) Gold Card would be eligible to receive the discount.⁶⁹ The proposed discount under this option is 25 per cent of the ordinary fee payable.

The Victorian Government currently extends a number of concessions to individuals who would be eligible for a discount under this option. These include a 50 per cent discount on the cost of a game licence⁷⁰ and a complete exemption from the need to hold a recreational fishing licence.⁷¹

These concessions are partly intended to allow these licence holders, who may have a diminished capacity to pay relative to other groups within society, to have more affordable access to recreational fishing and game hunting. It also acknowledges that people with physical disabilities, who may be eligible for associated pensions or concessions, are engaged in and derive social benefit from participation in the shooting sports.

Some other States also offer applicants for firearms licences and permits similar to those considered by this sub-option. These include Tasmania, where a 20 per cent discount is offered to pensioners.⁷² In New South Wales, persons who hold a pensioner concession card, a DVA Gold Card, or who are in receipt of pensions or payments under the *Veterans Entitlements Act 1986* (Cth) or the *Military Rehabilitation and Compensation Act 2004* (Cth) are wholly exempt from paying any fees for category A, B or H firearms licences, permits to acquire, or to register a firearm in their name.

Victoria Police does not hold data on the proportion of current licensees that would be entitled to concession pricing on firearms licences under this sub-option, as it does not collect this information from licensees. However, it does record information on the number of current licensees over the age of 70, which in 2017 was 12.6 per cent of all licence holders.⁷³ The Game Management Authority (which currently provides concessions) does maintain data on its applicants for hunting licences and reports that 23 percent of its long-term licensees claim a concession entitlement.⁷⁴ While not all hunters are firearms users, and hunters are only a subset of firearms licence holders, this proportion can be used for approximation purposes.

In so far as evaluating the costs of the concessions, there is no evidence available to suggest that older users pose a higher risk of accidental or deliberate misuse of firearms, and as such, that they are likely to require a similar level of administrative effort (i.e. cost) to regulate as general firearms users.

Given the lack of data about eligibility for this concession, it is also unclear how such a concession would interact with the existing waivers relating to primary producers and for holders of category C longarms (when applying for a category A or B licence). For example, primary producers would have no need to claim a concession if covered by the full waiver included in strategic option 2.

⁶⁹ The *State Concessions Act 2004* defines an eligible recipient as a holder of a pensioner concession card issued under s 1061ZF of the *Social Security Act 1991* (Cth), or a holder of a Gold Card, being a card issued to a person who is eligible:

- for treatment under Part V of the *Veterans' Entitlement Act 1986* (Cth) (veterans in receipt of a pension arising from an injury or disease caused by war)
- to receive a pension under section 13(1) of the *Veterans' Entitlement Act 1986* (Cth) as a totally and permanently incapacitated veteran, or
- to receive a pension under section 13(1) of the *Veterans' Entitlement Act 1986* (Cth) as the widow or widower of a veteran.

⁷⁰ Wildlife (Game) Regulations 2012, reg 7(2). The concession is available to eligible recipients within the meaning of the *State Concessions Act 2004*, but does not apply to others aged over 70.

⁷¹ Fisheries Regulations 2009, reg 66. The concession is available to people aged over 70, concession card holders, returned service people and certain other groups.

⁷² Firearms Regulations 2016 (Tas) reg 22.

⁷³ Victoria Police data. As at October 2017, there were less than 27,000 current firearm licence holders who were over 70 years old.

⁷⁴ Game Management Authority, *Game Licence Statistics: Summary Report – 2016* (August 2016)

http://www.gma.vic.gov.au/__data/assets/pdf_file/0012/324030/Game-Licence-Statistics-Summary-Report-2016.pdf.

Assuming that a concession applies to approximately 15 per cent of individual licences applied for, (using the 12.6 per cent estimate and excluding categories where few applicants are likely to be eligible, including junior, private security handgun and category D and E longarm licences, and low-volume categories, such as collector's licences) the estimated cost would be as follows (based on the proposed 2017/18 fees under Option 1).

Table 34: Estimated cost for proposed concession scheme (using indicative 2016-17 volumes)

Licence Category	Full fee	Concession Value (indicative)
A longarm	\$230.80	\$400,000
B longarm	\$233.20	
C longarm	\$352.80	\$29,000
General category handgun (sporting)	\$275.60	
Paintball Marker	\$230.80	\$1,000
TOTAL		\$430,000

As outlined in the table above, this sub-option would result in an under-recovery of around \$430,000.

There are four primary circumstances in which full cost recovery may not be desirable. As discussed earlier in this document, these circumstances include cases where:

- practical implementation issues make cost recovery infeasible
- there are benefits to unrelated third parties
- social policy or vertical equity considerations are considered to outweigh the efficiency objectives associated with full cost recovery, or
- full cost recovery might adversely affect the achievement of other government policy objectives.

In the case of this proposal, however, there does not appear to be a practical implementation concern weighing against full cost recovery. The regulatory regime currently fully recovers from those eligible persons who are not covered by a separate waiver or exemption. In the case of recreational fishing licences, removing the exemption applying to eligible persons would have required the system to expand to accommodate a new, large cohort of licence holders.⁷⁵ By contrast, under this proposal eligible persons would still need to obtain firearms licences, meaning that the costs involved in receiving, processing, and monitoring licences for eligible persons will still be incurred. As there would be additional administrative complexity involved in administering a concession regime (involved in collecting and checking eligibility), this proposal would likely be less practical, from an implementation perspective, than an unchanged strategic fee option 2.

On the issue of benefits to third parties, firearms stakeholders consider that some shooting activities can have positive externalities. To the extent that a concession encourages individuals to participate in activities that create these externalities, a concession may be justified. Positive externalities were previously discussed in relation to pest control (for primary producers) and in relation to participation in public sporting events, but as any individuals eligible for the proposed senior/pension concession would in any event be eligible for a full waiver if engaged in primary production, this consideration does not apply. In the case of recreational firearms use by seniors and eligible recipients, such as people with disabilities and veterans, there are positive externalities to encouraging them to apply for and maintain firearms licences. In particular, these groups can become socially isolated and lose community connections due to their age or other status.⁷⁶ By encouraging participation in recreational pursuits such as target shooting, a concession would improve social cohesion and reduce the harms to these groups caused by a lack of social networks and interactions. Similarly, participation in target shooting can provide an opportunity to engage in physical exercise and maintain good health. Encouraging participation in this way is consistent with the Victorian Government's commitment to

⁷⁵ Department of Economic Development, Jobs, Transport, and Resources, 2016, *Regulatory Impact Statement – Recreational Fishery Licence Fees*, p. 21-26.

⁷⁶ Commissioner for Senior Victorians, *Ageing is everyone's business: A report on isolation and loneliness among senior Victorians* (January 2016).

reducing social isolation and loneliness among seniors, including by creating opportunities for older people to better participate in their local communities.⁷⁷

By providing concessions to Victorians aged over the age of 70, this sub-option would arguably remove some of the financial burden of the regulatory regime for firearms from persons who, in statistical terms, are less likely to have high incomes, and transfer that burden to the overall tax base where capacity to pay may be higher. There is a significant difference in average incomes between Victorians past the age of seventy and the rest of the adult population. At the time of the 2016, census, roughly 66 percent of Victorians aged 70 or over reported an annual income of less than \$26,000, twice the proportion of Victorians aged 20-69. Approximately 44 percent of Victorians aged 70 or over earned \$20,799 or less, compared to 19 percent of those aged 20-69.⁷⁸

However, this discrepancy in incomes is not of itself necessarily sufficient to justify the concession on equity grounds. Unlike concessions on essential services, such as electricity and public transport, firearms for this group are generally a recreational pursuit, with only narrow segment of the relevant population holding a firearms licence. As a result, concessional discounts on firearm licence fees could be seen as providing only limited support for social equality and equity, despite providing a social benefit to this group.

Further, it should be noted that household wealth and capacity to pay may not correspond to household incomes. Australians over the age of seventy may, despite lower incomes, hold significant larger assets than the average person. In 2015-16, the median net worth for all households was \$527,000, whereas the median net worth for households with a person over the age of 75 was \$642,000.⁷⁹ As such, the potential recipients of this concession, despite being likely to have a lower income than other Victorians, may have a higher capacity to pay due to their greater wealth. The same reasoning may not apply to eligible recipients who, by virtue of their eligibility for a pension, generally have lesser means.

The Department's view is that, despite limited evidence supporting the need to introduce concessional arrangements on the basis of equity (for older firearms licensees generally), the social benefits of encouraging participation by older and other marginalised Victorians in the shooting sports justifies providing older firearms licensees with concessions. For the reasons outlined above, the Department considers these concessions should be funded out of general revenue. As such, **this component is included as part of the preferred option.**

Table 35: Discussion of sub-option against criteria

Criterion	Discussion
Efficiency	<ul style="list-style-type: none"> Relative to Option 1, this option would have lower efficiency given that concession holders would not pay the efficient costs associated with firearms regulatory activity
Equity	<ul style="list-style-type: none"> Relative to Option 1, this option would have lower horizontal equity given that eligible concession cohorts would not pay the costs associated with firearms regulatory activity, and these costs (approx. \$430,000) would be subsidised from general revenue. However, it would provide improved vertical equity for groups with lesser income, by lowering the barriers to them participating in sports shooting activities.
Alignment with objectives of the Act	<ul style="list-style-type: none"> Relative to Option 1, this option has no impact on alignment with objectives of the Act.
Administrative complexity	<ul style="list-style-type: none"> Relative to Option 1, this option has minor negative impacts on administrative complexity, given that Victoria Police will need to change its current systems in order to facilitate changes to introduce concession arrangements.

⁷⁷ Martin Foley MP, Minister for Housing Disability and Ageing, *Victorian Government Response to Ageing is Everyone's Business* (2016), available at <https://www.seniorsonline.vic.gov.au/services-information/commissioner-for-senior-victorians/government-response-to-ageing-is-everyones-business>.

⁷⁸ Australian Bureau of Statistics, 2017, *Census of Population and Housing 2016*.

⁷⁹ Australian Bureau of Statistics, 2017, *Household Income and Wealth Australia Summary Results 2015-16*. Table 12.2. Households of people over the age of 75 indicated by households with a 'reference person' over the age of 75.

Consultation questions:

Do stakeholders consider that concessions for older firearms licence applicants is appropriate, given that this will result in a subsidy from general revenue?

What impact is a concession scheme for older firearms licensees likely to have on participation in shooting activities?

Smoothing of fee increases and decreases

The ABC modelling resulted in proposed changes to all fee categories. The key changes were a small decrease in fees for the largest revenue category (category B longarm licences), and a number of large increases for smaller revenue categories.

During consultation, stakeholders noted the potential to smooth impacts across the industry by holding fees at current levels for those categories where there were small falls, and reducing the extent of fee increases for fee categories where there were going to be large fee increases. The effect of this would be to not allow fees to change to whatever is the efficient cost of regulating each different type of fee category (whether that be an increase or decrease), and thereby not passing through any efficiency benefits to fee categories which are currently under-charged.

As such, in addition to the changes discussed previously, this option introduces an approach for smoothing the changes to fees, while largely keeping the extent of revenue recovery unchanged. In seeking an appropriate method to smooth any changes to fees arising from the ABC modelling, the Department sought to:

- mitigate larger fee increases, largely focussing on percentage changes, rather than dollar changes. The reason for this focus is that through consultations, the Department noted that stakeholders were particularly sensitive to changes in fees relative to the current fee (i.e. concerned about a doubling of fees), rather than changes in dollar amounts charged.
- ensure that overall revenue was kept largely constant.

The Department identified that halving any fee increases and not passing on any fee decreases would be an approach to smoothing that largely met both of these constraints.

As such, the approach presented in this Option 2 involves holding fees at current levels for those categories where fees decreased under the ABC, and reducing the extent of fee increases for fee categories where there were going to be fee increases by half. That is, if a fee would have increased from \$50 to \$100 under Option 1, under this option it would increase to only \$75. Similarly, if a fee would have decreased from \$50 to \$40 under Option 1, under this option it would be held constant at its original fee of \$50.

It is important to note that this is the approach that has been developed for consultation with stakeholders. Stakeholders are invited to make submissions on the RIS which propose other ways of smoothing changes in fees. For example, changes could be gradually phased in over time, or more/less revenue could be recovered from certain categories (e.g. by allowing fee increases to rise by three quarters of their full-cost recovery level, rather than the proposed approach of half).

The fee tables in Appendix 2 outlines the overall revenue changes under Option 1 and Option 2 for each group of licensees. These tables show which licence categories benefit under this approach, and which categories are worse off under this approach. Major revenue categories include:

- Category B individual licensees do not receive a 13 per cent fee decrease (a \$35 reduction on a five-year licence, based on current fee levels), resulting in a net impact of a large increase in revenue recovered
- Category C individual licensees have a fee increase of 59 per cent (a \$95 increase, based on current fee levels) rather than 118 per cent, resulting in a net impact of a small fall in recovered revenue
- applicants for permits to acquire for Category A longarms have a fee increase of 91 per cent (an \$8.30 increase, based on current fee levels) instead of 182 per cent, resulting in a net impact of a small fall in recovered revenue

- applicants for permits to acquire for Category B and C longarms have a fee increase of 115 per cent (a \$10.58 increase, based on current fee levels) rather than 231 per cent, resulting in a net impact of a small fall in recovered revenue.

Stakeholders stated that the rationale for this approach was that applicants who would benefit from a small fee decrease under Option 1 will not perceive this to be a significant benefit. On the other hand, stakeholders noted that applicants who would face large fee increases under Option 1 would perceive this option to make them significantly worse off.

Specifically, under Option 1, there would be 11 fee categories which would experience a fee increase of over 100 per cent, and 12 categories which would experience a fee increase of over \$200. Under this smoothing approach, there would be three fee categories which would experience a fee increase of over 100 per cent,⁸⁰ and one category which would experience a fee increase of over \$200.

The Department's view is that smoothing fees is worth doing because, despite it resulting in 10 categories of licence applicants facing an over-recovery of \$1.3 million per year, this adverse impact of this is outweighed by the benefit associated with mitigating the scale of fee increases for 39 smaller volume fee categories seeing an under-recovery of \$850,000 per year (i.e. these groups would be cross-subsidised). As such, **this component is included as part of the preferred option.** The net effect on revenue is to over-recover \$450,000 per year.

Table 36: Discussion of sub-option against criteria

Criterion	Discussion
Efficiency	<ul style="list-style-type: none"> • Relative to Option 1, this option reduces efficiency because applicants in categories where fee increases are smoothed, they will be charged below the efficient fee level and therefore face a dulled price signal (and would therefore have inefficiently high demand for these fee categories). The inverse is true for fee categories where they are charged above the efficient fee level.
Equity	<ul style="list-style-type: none"> • Relative to Option 1, this option would have lower equity given that applicants for the smoothed fee categories would not pay the full costs associated with firearms regulatory activity, and these costs would be met by other firearms licensees (mainly from higher volume categories)
Alignment with objectives of the Act	<ul style="list-style-type: none"> • Relative to Option 1, this option will have no impact on safety and public peace.
Administrative complexity	<ul style="list-style-type: none"> • Relative to Option 1, this option has minor benefits for administrative complexity, given that Victoria Police will not need to change its current systems in order to facilitate any changes.

On balance, the issues outlined above mean that **this sub-proposal is included as part of this option.**

Consultation questions:

Do stakeholders the proposed approach to smoothing fee increases is appropriate (i.e. over-recovering from some firearms groups, and under-recovering from others)?

Are there alternative approaches to smoothing fee changes which stakeholders consider to be more appropriate?

Do stakeholders consider it appropriate to attempt to phase-in full cost recovery by eliminating any over or under-recovery over time?

⁸⁰ Not that the fee for a permit to acquire a category B or C longarm is among the fees to increase by more than 100 per cent. However, this fee has not been indexed since 2008, because it was set in dollar terms at that time. Accordingly, the increase partially reflects the lack of indexation since that time. Similarly, the large percentage increases to the fees for a permit to acquire a category A longarm (91%) and for a permit to acquire a paintball marker (91%) partially reflect the lack of indexation to these amounts.

Overall evaluation of Option 2 and discussion of cost recovery approach

As discussed at the beginning of this section on Option 2, this option is a package of smaller options which are each a deviation away from full cost recovery. The outcome of this approach is that Option 2 (the preferred option on which the proposed regulations have been developed) under-recover the total costs of activities associated with licences and permits for firearms. This is because Option 2:

- keeps several fees (for junior licences, provisional licences and review of decisions) set at current levels, resulting in the under-recovery of costs of \$640,000 per year;
- retains the waiver for primary production licences, resulting in the under-recovery of costs of \$2 million per year;
- introduces a new discount for pensioners and the aged, resulting in the under-recovery of costs of around \$430,000 per year; and
- limits any increase in any fee to only half of the increase that would occur if full cost recovery were pursued, resulting in the under-recovery of costs of around \$850,000 per year;

In total, under Option 2, annual revenue falls short of annual costs by around \$3,920,000. This shortfall could be funded either through consolidated revenue (in which case the cost would be borne by all Victorians), or by charging more than the cost of some activities to some firearms users (which would constitute cross-subsidisation between users). Either of these options results in the costs of activities undertaken for some regulated parties being funded by those who do not give rise to or directly benefit from the regulatory activity.

The proposed regulations fund this shortfall through a mix of continued over-recovery for some fees and funding through consolidated revenue.

The activity-based costing for this RIS found that ten different fees are currently set above the cost of a specific activity (see the following table). The level of over-recovery ranged from around \$2 (for an individual licence for a Category A longarm) to \$287 (for a business licence for a Category 1 firearms collector or for an antique handgun collector). Across all ten fees the total amount over-recovered per year is around \$1.31 million. Almost all of this over recovery (approximately \$1.30m) results from over-recovery in relation to category A and B longarm licences.

Table 37: Fees that currently over-recover costs of activities

Activity	Current fee	Cost of activity	Current over-recovery (per licence issued)
Longarm Category A Licence (individual)	\$233.2	\$231.3	\$1.9
Longarm Category B Licence (individual)	\$269.5	\$233.8	\$35.7
Paintball marker Licence (individual)	\$233.2	\$231.3	\$1.9
General category handgun licence – security guard, prison guard, official or commercial purpose (individual)	\$305.9	\$289.5	\$16.4
Category 1 firearms collectors licence (individual)	\$342.0	\$243.1	\$98.9
Category 1 firearms collectors licence (business)	\$677.6	\$392.0	\$285.6
Category 2 firearms collectors licence (individual)	\$408.1	\$257.3	\$150.8
Category 2 firearms collectors licence (business)	\$516.9	\$409.3	\$107.6
Antique handgun collector's licence (individual)	\$342.0	\$243.1	\$98.9
Antique handgun collector's licence (business)	\$677.6	\$392.0	\$285.6

The Victorian Government's Cost Recovery Guidelines emphasise that cross-subsidisation — where one group of users pay more for the cost of the services they receive and the 'surplus' is used to offset

the cost of services provided to other users — should generally be avoided. The Department notes that retaining these ten fees at their current level will continue to cross-subsidise other firearms users by around \$1.3 million per year. The Department's view, having consulted with the Department of Treasury and Finance, is this is a reasonable trade-off in support of a proposed set of regulations that move closer to full cost recovery while mitigating the increases in fees. In particular, stakeholders emphasised that they supported foregoing a reduction in fees that were low or affected a small number of people over very large increases in specific fee categories.

The continued over-recovery of \$1.3 million per year from these ten fees, will reduce the revenue shortfall from \$3,920,000 to \$2,610,000. This \$1.3 million will cover the \$850,000 in revenue forgone as a result of limiting any increase in fees, leaving \$450,000 of over-recovered revenue which is allocated to covering some of the cost of keeping fees for junior licences at current levels. Funding any more of the cost of the decisions above (such as the primary production waiver, concessions for pensioners and the aged, and the freeze on the junior licence fee) through further increases in fees would constitute an increase in the existing level of cross-subsidisation which, as noted above, is discouraged by the Cost Recovery Guidelines. For this reason, and in consultation with the Department of Treasury and Finance, the Department proposes to fund the remaining shortfall (that is, the portion of the shortfall not recovered by limited fee increases) out of consolidated revenue. While this means that a substantial portion of the costs of the decisions above will be borne by all Victorians (including those not involved in the lawful, regulated use of firearms), it means that the increase in fees can be limited and waivers/discounts implemented without an increase in the current level of cross-subsidisation. It also means that a fee structure that is closer to achieving full cost recovery can be achieved, while avoiding very large increases in fees for particular categories of firearms users.

Consultation questions:

Do stakeholders consider that the proposed approach to funding shortfalls in revenue is appropriate – that is, over-recovery for some licence categories, and funding the remaining revenue shortfall from general taxpayers?

Throughout this section, the RIS has presented a number of components of Option 2, and discussed the merits of each component against the criteria. Table 38 consolidates all of these assessments, and outlines a full multi-criteria assessment for this Option.

Table 38: Multi-criteria assessment of fee-option 2

Criterion	Assessment	Score	Weighting	Weighted score
Efficiency	<ul style="list-style-type: none"> Relative to the base case (zero cost recovery), this option recovers approximately 81 per cent of costs attributable to the firearms regulatory regime. This option provides a more direct price signal to members of the regulated community as to the cost of their activities. Relative to Option 1, the efficient price signal is dulled by smoothing across licence holders and concessions for pensioners and older firearms licence holders. Other notable exceptions from efficient price signals are junior licence holders, provisional licensees, applicants for reviews of decisions, and licence holders who receive a primary production fee waiver (which together represent a 19 per cent deviation from full cost recovery). This option is given an efficiency score of 8, compared to the base case where no price signal is set as fees would not be prescribed (a zero score), and relative to full cost recovery in Option 1 (a score of 10). 	8	25%	2
Equity	<ul style="list-style-type: none"> Relative to the base case (no cost recovery and full subsidisation from general revenue), this option introduces fees which largely reflect cost recovery. The introduction of fees under this option would ensure that a majority of the cost of the regulatory regime for firearms in Victoria would be borne by the regulated community who, through their use, ownership, and/or trade in firearms increase the need for Victoria Police's 	8	25%	2

Criterion	Assessment	Score	Weighting	Weighted score
	<p>activities in administering the regulatory regime.</p> <ul style="list-style-type: none"> Relative to Option 1, this option introduces a range of cross-subsidies through smoothing, particularly for smaller volume licence categories which would have experienced a large fee increases under Option 1. Separate to smoothing, this option would also result in under-recovery for junior licences, provisional licensees, decision reviews, fee reductions for older firearms holders, certain pensioners and primary producers. Shortfalls in cost recovery associated with administering these activities would be funded through a combination of consolidated revenue and over-recovery from selected licence groups. 			
Alignment with objectives of the Act	<ul style="list-style-type: none"> Compared to the base case, this option introduces fees which may act as a small deterrent to persons wishing to use or deal in firearms from seeking and maintaining the requisite, licences, registration, or permits, thereby reducing the efficacy of the regulatory regime. However, these fees are small relative to the other costs of participating in this industry such the costs of purchasing, maintaining, and storing firearms. Relative to Option 1, Option 2 targets exemptions towards primary producers, and maintains firearms licence fees for junior licences, provisional licences and decision review fees which is likely to encourage compliant conduct for these key cohorts of shooters. 	-1	30%	-0.3
Administrative complexity	<ul style="list-style-type: none"> Relative to the base case (lapsing Regulations), this option is more administratively complex as it would require activity from Victoria Police to incorporate the proposed changes. Similar to Option 1, this option would be somewhat more complex, as it requires adjustments to the value of numerous fee categories, but does not require a radical overhaul of the administrative scheme. The continuation of the primary production waiver makes the option simpler than Option 1 as it requires no change in practices from Victoria Police or the Regulated Community. 	-1	20%	-0.2
Weighted score				3.5

5 Small business and competition impacts

Regulatory change can have a disproportionate impact on small businesses as it has more limited resources to meet the cost burden imposed by government requirements. As a result, when implementing new or recurring regulations, understanding the impact of the burden on small business is of importance.

As understood through the consultation process, the Victorian firearms market features a small number of very large wholesalers but a large number of small, independent firearms dealers, many of whom operate their dealership on a part-time basis or as an extension of another business.

In smaller business, compliance requirements associated with applications, record keeping and provision of information are more likely to be undertaken by a more senior staff member than would be the case for a larger business, which is likely to have more junior staff dedicated to fulfilling these requirements. As such, to the extent that the remade Regulations impose a burden that is greater than what the Act would otherwise impose, there is likely to be a slightly greater proportionate impact on small business than for larger businesses, although this is likely to be marginal.

The proposed Regulations include changes relative to the lapsing regulations, including a change to allow Class 2 dealers to sell category C firearms, and the creation of a standalone paintball dealer's licence for those dealers that only wish to trade in paintball markers and associated components.

These changes may allow smaller dealers to reduce their regulatory burden by:

- allowing dealers that currently feel compelled to maintain a Class 1 dealer licence in order to trade in category C firearms (primarily in the rural and regional markets) to instead take up a lower cost Class 2 licence while retaining their right to trade in these firearms
- allowing small dealers who currently hold Class 2 dealer licences to access additional market opportunities through trade in category C firearms without any additional fees or regulatory burden, and
- allowing dealers who only wish to trade in paintball markers and associated components to take up a standalone paintball dealer's licence which is less expensive and burdensome than a Class 1 dealer's licence, which a person who wishes to deal in paintball markers is currently required to hold.

In addition to these changes, the proposed regulations also increase and prescribe in fee units the maximum amount that a dealer can charge for being an agent in the transfer of a firearm. Stakeholders reported that the existing fee was often insufficient to reflect the paperwork involved in processing a transaction as an agent, and that other jurisdictions allowed much higher (or uncapped) fees to be charged without any issues. Many of the dealers consulted indicated that acting as an agent represented a large proportion of the staff work required at many retail firearms dealerships and being allowed to charge more for these transactions would increase the financial viability of these small businesses. To this extent, the Department considers that the Regulations offer additional opportunities for small dealers, allowing for an effective fee increase as of the time the regulations are remade, and providing for ongoing indexation of the fee cap over the life of the regulations. It is expected that the benefit of this change will outweigh any costs to dealers associated with increased dealer licence fees.

The proposed (and existing) Regulations offer different fee rates for dealers that are bodies corporate as opposed to individuals. While not a perfect proxy for the size of a dealership, it does mean that individual traders in the firearms market will pay reduced fees relative to larger corporate dealers (though not all bodies corporate that are licensed firearms dealers are likely to be large businesses, and not all dealers licensed as individuals operate small businesses).

Other small businesses are also affected by fees set by the Regulations, such as small private security companies, privately held target shooting ranges and paintball ranges, companies running firearm training courses and theatrical armourers, who provide firearms for use in film or stage productions. These businesses are required to hold relevant licences and permits, with fees for these representing a portion of their business expenses. As for dealers, these licensees would pay a different rate if licensed as an individual as compared to a body corporate. Some of these small businesses also hold a dealer's licence, in which case they are affected in the same way as described above.

6 Implementation

The proposed regulations do not require extensive changes to existing administrative arrangements.

Victoria Police will continue to be the regulator and its responsibilities would remain as they are under the status quo. That is, Victoria Police would continue to undertake its role in assessing and approving applications regarding firearms, and would continue to undertake monitoring and enforcement activity in order to achieve the regulatory objectives of public peace and safety.

Some administrative changes are expected as a result of the transition from licence issue fees to an application fee based system (potentially involving partial refunds for unsuccessful applicants); however, these are unlikely to cause significant disruption for licensees or applicants. These changes, for example, could include minor reconfiguration of ICT systems, and providing communications activities to firearms applicants so that they became familiar with changes to the payment approach. The Department will work with Victoria Police to ensure that the public are notified in advance of this and the other proposed changes to the regulatory regime in order to limit any disruption that may be caused by the changes. For example, Victoria Police will develop communications to ensure that members of the public are aware of new exempt devices, and the permit requirements applying to chassis kits.

7 Evaluation

The Department will review the operation and impacts of the proposed Regulations over their lifetime.

The Department will in particular work with LRD to monitor trends in the licensing of firearms users and dealers, as well as enforcement operations. This data will be used together with offence and prosecution data to analyse the number and nature of breaches of the Act during the life of the Regulations. The goal of this analysis will be to determine any trends in the breaches of the Act or Regulations, to help inform consideration of whether any further changes to the Regulations may be required.

As part of consideration of changes to the administration of the regulatory framework over the duration of the remade regulations, the risks, benefits and costs of aligning expiry dates for individuals who hold multiple category firearms licences will be further considered. To this end, stakeholders are invited to comment on the pros and cons of this approach.

The setting of fees in the proposed regulation has been supported by an activity-based costing which involved a comprehensive evaluation of the costs associated with the regulatory regime for firearms in Victoria and the manner in which these could most accurately be apportioned across the various classes of licences and permits in order to achieve efficient and equitable cost recovery. To ensure the quantum of fees remain appropriate in future years, the Department will seek advice from Victoria Police on any changes in its cost profile, particularly within LRD. These will be used to indicate whether or not further alterations are required to the fee schedules in the future. The Department will also seek advice from Victoria Police on potential efficiency gains arising from technological advancements or process changes within LRD which may allow for an adjustment of the fees proposed in the proposed Regulations.

In particular, specific data will be collected with regard to:

- Primary producer exemptions – in order to continue to assess the extent of revenue forgone, and any increases or decreases in this level, and whether it remains appropriate. The Department will track this by keeping a record of the number of licences applied for with ‘primary production’ as the stated genuine reason underpinning the licence application, which will provide information on the scale of the exemption over time.
- Concessions – in order to establish the extent of revenue forgone, and whether this amendment is changing application behaviour, and whether it remains appropriate. This finding would be based on records kept of the number of licence applications to which the concession discount is applied and/or based on records regarding the ages of approved licence applicants.
- Application fees – in order to establish whether the amendments have reduced the work undertaken by Victoria Police in relation to unsuccessful applications, with this data being based on consultation with members of the LRD and an assessment of volume of applications processed relative to available resources over time.
- Chassis kits permit applications – in order to identify whether the low volume expected is accurate. Quantity of applications for these kits would be sufficient to determine demand, and re-assessment would be triggered if successful application rates were significantly higher than expected which would demonstrate a greater than expected need for these kits.

Given the impact of the regulations (which exceeds \$8m per annum), a mid-term evaluation of the above impacts will be undertaken five years into the life of the regulations.

8 Consultation

8.1 Consultation Background

During its review of the Regulations, the Department undertook consultations with a range of key stakeholders.

Extensive consultations with Victoria Police were carried out to identify potential improvements to the regulations. Victoria Police also supplied data to support the analysis and consideration of proposals in this document. The Department offers its thanks to the Licensing and Regulation Division for its proactive and diligent support throughout the preparation of this document.

The Department also consulted with a subcommittee of the Victorian Firearms Consultative Committee (VFCC). The VFCC advises the Minister for Police on firearms policy in the state. The VFCC subcommittee met to discuss proposals under consideration for amending the Regulations, and to provide feedback on their impact. The Department thanks the members of the subcommittee for giving their time and experience to this process.

The Department also consulted directly with stakeholder representative groups, across different segments of the firearms community. A focus on stakeholder groups within the firearms community was considered appropriate because, due to their limited scope, the regulations do not affect access to firearms, only practical aspects of their purchase and use.

The groups consulted by the Department were:

Table 39: Stakeholders consulted during the development of the RIS

Group	Organisations
General	Sporting Shooters Association of Australia* Firearm Safety Foundation*
Licensed dealers	Shooting Industry Foundation of Australia*^ Firearm Traders Association of Victoria*
Target shooters	Victorian Amateur Pistol Association* Shooting Sports Council of Victoria* Victorian Clay Target Association
Hunters	Field & Game Australia* Australian Deer Association
Security Industry	Australian Security Industry Association*
Farmers	Victorian Farmers Federation
Collectors	Antique and Historical Arms Collectors Guild of Victoria Inc
Paintball industry	Australasian Paintball Association^

* also represented on VFCC subcommittee

^ consulted by email/phone

Finally, the Department consulted with a number of licensed dealers. The dealers consulted included large and small businesses, those involved in import, those who maintain manual records and those with electronic systems, and both metropolitan and regional dealers.

The Department also consulted with affected areas of government. This included consultation with enforcement agencies who utilise, in conjunction with Victoria Police, the search powers in section 153A of the Act: the Game Management Authority, the Department of Environment, Land, Water and Planning and Parks Victoria. The Department also consulted with the Infringement Management and Enforcement Services area of the Department in relation to proposed infringement notices, and with the Human Rights Unit regarding Charter rights engaged by the Regulations. Finally, the Department consulted with the Department of Treasury and Finance regarding proposed fees.

8.2 Key messages from consultations

The Department had the opportunity to discuss key trends and issues in the shooting community with groups representing a number of occupations and recreational pursuits.

The essential message that emerged from consultations was that the shooting community supports and understands the need for regulation of firearms, given the risk they pose, but seeks that regulation be adapted to the ends it seeks to achieve. As noted above, few issues were raised with the Regulations themselves.

A further key theme was the important role played by dealers in the interface between members of the firearms community and Victoria Police. Dealers, in a large number of cases, apply for permits to acquire on behalf of purchasers, and process transfers of firearms between users. They also assist in ensuring the accuracy of records maintained by Victoria Police, and assist in investigations by providing historical information. As a result, the relationship between Victoria Police and dealers is important to the good functioning of the regulatory framework for firearms.

A trend that has emerged during the lifetime of the Regulations has been a growth in online sales of firearms. The growth in popularity of websites that facilitate sales of firearms between licensees has contributed to dealers processing a greatly increased number of transfers (transactions where the dealer acts as agent), as compared to sales. This fact was considered in connection with the maximum fee that can be charged by a dealer acting as agent. The emergence of internet sales has made it significantly easier for would be buyers and sellers of firearms to locate each other without the use of a dealer as a brokering party. This means that dealers can expect a greater number of transactions where they act only as an agent in a transaction relative to those where they are selling a firearm from their own stock. This is significant from a profitability standpoint as the only source of revenue on an agent transaction is the fee charged, while a transaction involving the sale of a firearm includes the profit margin on the sold firearm, often as well as accoutrements and accessories (ammunition, carry cases, optics, cleaning kits etc.). Dealers regard an increase in the fee they can charge to act as an agent necessary to reflect the cost on their time and the fact that providing this valuable and legally necessary service to members of the shooting community represents an increasingly large share of their total business.

In relation to target shooting clubs, the Department heard that clubs vary greatly in their sophistication and resources, with some clubs receiving government grants to support their work. The Department was told there is a large amount of voluntary involvement in the running of clubs. Participation reporting was raised in a number of discussions. Participation reporting is required by the Act, which also sets out the details which are required to be reported. The feedback received is, however, reflected in the proposed amendment to require handgun model to be reported rather than the serial number, discussed at 8.3.4 below.

The Department also spoke with farmers, who commented that firearms are essential tools on farms for environmental and animal welfare reasons. The Department was told that farmers are the 'gatekeepers of the environment', by virtue of their role in suppressing pest animals and that, for that reason, the primary production waiver should continue. The importance of secure storage at unattended rural properties was also raised, with farmers aware of the risk of burglary and theft if firearms are not adequately secured. Storage requirements are set out in the Act, not the Regulations.

Consultation with the security industry revealed that firearms (primarily handguns) are carried by armed guards and cash-in-transit guards, who are employed by large and small security companies. Requalification and fingerprinting requirements were raised as key business expenses, and it was noted that cross-border issues can affect national security companies. However, these requirements are dealt with in the Act, and are not affected by the Regulations.

Representatives of the hunting community noted that hunting is considered an egalitarian pursuit in Australia, and more accessible than in other countries around the world. However, it was noted that the cost of licences is only one component of the costs associated with hunting activities.

Collectors spoke to the Department about the obligations imposed on officers of collector's clubs, and also raised the collector's register. This feedback was taken into account in connection with the prescribed particulars required to be recorded on the collector's register. The paintball industry raised few issues, but queried whether paintball should be regulated by Victoria Police.

Reflective of their impact, noted above, many stakeholders consulted referred to licence and permit fees. The concern was raised that sports shooting, including hunting, should not become inaccessible to those of lesser means, such as juniors and those on low incomes, through large increases to licence fees.

8.3 Options or ideas for changes to the Regulations suggested during consultation

As part of the consultation process, stakeholders generated a number of ideas for potential changes to the proposed Regulations. Where these proposals have been deemed substantial, feasible and well developed, they have been included elsewhere in this document as options or sub-options.

The remaining proposals have been included here, along with any information on further actions that the Department will take in relation to these proposals.

A summary of all changes proposed to be made to the Regulations is contained in Appendix 1.

8.3.1 Prescribing additional bodies representing shooting organisations to nominate members of the Firearms Appeals Committee

The Firearms Appeals Committee (FAC) is a 13-member body that hears applications for review of decisions made under the Act. There are three positions on the FAC occupied by nominees of prescribed bodies which are or represent shooting organisations. The Regulations currently prescribe the Shooting Sports Council of Victoria Inc and the Victorian Amateur Pistol Association Inc.

The VFCC subcommittee proposed that an additional body, Field & Game Australia Inc, be made a prescribed body representing shooting organisations, capable of nominating potential members of the FAC. Field & Game Australia represents over 17,000 members (including around 15,000 in Victoria), in relation to hunting and clay target shooting activities. Their inclusion as a prescribed body would allow for representation by a hunting-related body on the FAC. No other potential prescribed bodies were proposed during consultations, and the existing prescribed bodies supported the addition of Field & Game Australia.

The Department considers there are benefits to broadening the pool of nominees capable of appointment to the FAC. Field & Game specifically represents the interests of clay target shooters and hunters, and has a large membership base, complementing existing prescribed bodies. Accordingly, this proposal is reflected in the exposure draft of the Regulations.

8.3.2 Amending regulations applying to suppression of pest animals on primary production land to take into account the direction of fire

Firearms stakeholders queried why the Regulations prevented a category C longarm, when used to suppress pest animals on primary production land belonging to another licensee, being discharged within 100 metres of a public road, but made no reference the direction of the shot. It was suggested that, for any given distance from a road, a shot fired directly away from it, even from within 100 metres, would pose less risk of accidentally hitting passing traffic than a shot fired parallel to it or in its general direction from greater than that distance. These stakeholders proposed amending the regulations so that they refer to the direction in which the firearm is discharged.

Victoria Police recognised that it was not clear why the direction of shot was not included in this regulation. Victoria Police emphasised that the current legal approach places the onus on firearms users to apply a common sense approach to ensure that they do not discharge their firearms in an unsafe manner.

Stakeholders proposed that the regulation be amended by either replacing the distance requirement with one that relates to direction, or removing the requirement altogether. In the absence of clear agreement on the appropriate change, no specific change to this provision is included in the exposure draft of the Regulations. Further consultation and consideration is required in order to develop a specific proposal. Public comments are sought on what alternative requirements might be imposed regarding discharge of a category C longarm near a road.

8.3.3 Waive firearms licence fees for firearm safety instructors

A proposal was advanced during the consultation process to provide firearm safety instructors with a waiver of their licence fee, on the grounds that these instructors, through their training activity, contribute to the safety objective of the Act. Firearms stakeholders noted that such a waiver could have merits through encouraging more people, particularly younger people (who may be more attracted to a fee reduction), to act as firearm safety instructors, and to recognise their voluntary contribution

The Department understands that the appointment of firearm safety instructors currently occurs on an ad hoc basis, and that formal processes and criteria are not in place. It is possible that licensees would seek to act as firearm safety instructors solely to access to fee waiver. It is also not possible to assess what level of involvement as a firearm safety instructor (i.e. the frequency and regularity of instruction)

would be needed for a person to be eligible for the waiver. In addition, there would be administrative difficulty in identifying which licensees are eligible, in the absence of centralised accreditation. As a result, it would not be appropriate at this time for a waiver to be offered. No evidence has been provided that Victoria Police has difficulty identifying persons willing to provide instruction on a voluntary basis. A waiver may be considered at a future time if more formal appointment procedures are put in place.

8.3.4 Amending approved handgun target shooting club annual report form so that serial numbers need not be recorded

The current regulations provide forms to be used by approved handgun target shooting clubs for their annual reports. These forms currently require that, for each member, the date of all matches they participated in, the details of that match, and the police reference number or serial number of the firearm used. This requirement was viewed as onerous and unnecessary and a suggestion was raised that the model of the handgun be included instead. Under the Act, only the 'details' of each handgun used are required to be included in the participation report: section 123C.

The purpose of annual participation reporting is to allow Victoria Police to ensure that holders of handgun licences for the purpose of sport or target shooting fulfil their participation requirements under the Act. These require that all such licensees participate in an appropriate number of shoots and matches each year, given the number of classes of handgun they own. The Act does not require that each particular handgun be used on any specific number of occasions, or at all. Accordingly, Victoria Police have no need to collect information on the serial number of the handgun used on each occasion a licensee participated. The information has no other utility to Victoria Police and, as such, there are no risks or downsides associated with not collecting it.

The Department supports this change and it is reflected in the exposure draft of the regulations.

8.3.5 Providing a bulk/volume discount to bodies corporate applying for a very large number of permits to acquire at the same time

This proposal would apply a fee discount for applicants applying to a very large number of permits to acquire (more than 20 was suggested) in one instance. Firearms stakeholders suggested that this would both reflect potential savings that flow from bulk processing, and reduce the costs incurred by companies undertaking major activities such as, for example, replacing their entire armouries at once. The private security industry in particular was noted as often undertaking quite extensive armoury updates.

Victoria Police advised that its systems do not allow for the bulk processing of permits to acquire, with each needing to be manually inputted into LRD's systems. It also noted that it rarely receives large volumes of permit to acquire applications at one time. Given this, Victoria Police considers that accommodating bulk discounts would require significant changes to internal systems in order to accommodate a small number of licensees.

As a result, the Department considers that this change should not be progressed.

8.3.6 Amending the particulars required to be recorded in a firearms collectors register to remove the requirement to record from whom a firearm was acquired or to whom it was disposed of

Under section 24 of the Act, the holder of a firearms collectors licence is required to maintain a register of the firearms kept under the licence. The Regulations set out the particulars that register must contain. A number of stakeholders proposed that changes to these particulars be considered as part of the RIS process. The total cost associated with this current arrangement is indicatively estimated at \$6,000 per annum.⁸¹

In particular, it was suggested that the collector's register no longer be required to contain details of the date on which a firearm was disposed of or acquired, or the name and address of the person to or from whom the firearm was disposed of or acquired. It was argued that, as this information is recorded by Victoria Police when it registers transfers of firearm ownership, there is no need for collectors to maintain a separate record of the information. Victoria Police supported a change to the Regulations that would remove the requirement to record these particulars.

⁸¹ Estimated based on 963 affected firearms collected, four instances per annum of recording changes, and five minutes required per change. Hourly rate of \$63.08 based on weekly earnings for administrative support services (ABS Cat. 6302.0 May 2017) of \$1351.8, a 37.5 hour work week, and 75 per cent overheads (Victorian Guide to Regulation).

The Department considers that there is no need for the collector's register to contain all of these details. The contents of the collector's register were first prescribed in 1997,⁸² and did not change when the regulations were remade in 2008. However, in 1997 some collectible firearms⁸³ were not required to be registered, such that the acquisition and disposal of these firearms was not reported to Victoria Police. As a result, there was a need for collectors to maintain their own register of these transactions. Legislative amendments since that time⁸⁴ have meant that the collector's register no longer has utility as a register of transactions. Instead, its function is to fulfil a collector's obligation to maintain an accurate list of firearms in their collection.

It is proposed that, to reduce the burden on holders of collectors licences, the prescribed particulars include only the date on which each collectable firearm was acquired or disposed of. The Department considered also removing the date from the prescribed particulars; however, section 24 of the Act requires that at least some details of the dealing be recorded. The Department considered that, of all the transaction-related details, the date was the least burdensome. Victoria Police has not identified any risks associated with collectors ceasing to record details of sellers and purchasers. Accordingly, this change is reflected in the exposure draft of the Regulations.

Some stakeholders proposed abolishing the requirement to maintain a register entirely. As this change would require an amendment to the Act, such a change is out of scope for the purposes of this document.

8.4 Suggestions for legislative change arising from consultation

During consultations, stakeholders raised a number of proposals for change that are beyond the scope of this review. They are beyond the scope of the review of the Regulations because the Act is, in all cases, prescriptive regarding what is required, such that implementing any of these proposals would require legislative amendment. The proposals raised included:

- amending the legislative scheme to provide for 'endorsements', so that a licensee has their licence endorsed for the categories in which they are licensed, rather than holding multiple physical licences
- increasing the duration of firearms licences (so that they would require renewal, for example, once every 10 years – as opposed to the current approach which generally limits licences to durations of three or five years)
- greater oversight and regulation of online advertising of gun sales
- restrictions on the issuing of dealer licences to non-commercial properties (e.g. to limit licensed dealers operating out of residential premises)
- moving regulation of the paintball industry away from Victoria Police to another regulator
- removing the requirement for a holder of a handgun licence to provide their fingerprints
- requiring that handgun target shooting participation reporting either be done on an 'exception basis' (so that only licence holders who do not meet minimum requirements are required to be reported on) or amended so that reporting is not required once a person meets their minimum number of shoots
- increasing in the number of occasions on which a junior can receive instruction in the use of a handgun, and introducing an application-based exemption from the requirement to provide notice to Victoria Police
- reviewing the obligations imposed on 'nominated officers' of firearm collectors clubs
- permitting fingerprints supplied to Victoria Police in connection with a private security licence application to be used in connection with a firearms licence application (so that fingerprints do not have to be supplied twice)
- allowing requalification training to be conducted by a Victorian-licensed instructor at an interstate range
- removing or amending registration requirements for antique multi-shot percussion pistols.

⁸² Firearms Regulations 1997, r 8.

⁸³ Including firearms manufactured prior to 1900 for which ammunition is not commercially available.

⁸⁴ *Firearms (Trafficking and Handgun Control) Bill 2003*.

Appendix 1 Minor and machinery options considered

Non-substantial proposed Regulations and other options considered and not progressed

Option	Rationale
<p>Fee incentives be created to store firearms at a dealer during long absences of firearms owners from their homes</p>	<p>Some firearms owners and licence holders store firearms at premises from which they are frequently absent. For example, owners of 'hobby farms' whose primary residence is in a metropolitan area, may store firearms at the rural property, at which they are present infrequently. Unattended rural properties such as these can present an increased risk of theft or break-in, with associated risks to safety and public peace if firearms are stolen.</p> <p>This proposal would see firearms licensees being able to apply to have a discount applied to their licence fee if they stored their firearms at a dealer during periods of absence. The discount would be available for people who are absent from the property at which the firearms are stored for periods longer than four weeks. The discount is intended to incentivise firearms owners to store their firearms with a dealer during periods when they are absent from the property, reducing the risk of theft.</p> <p>Stakeholders did not support this option, considering it unworkable for the following reasons:</p> <ul style="list-style-type: none"> • Feedback from stakeholders consulted suggests that storage at a licensed firearms dealer is often expensive, and its cost would likely exceed the value of any discount provided. • It was pointed out that many secure self-storage service providers now offer secure firearm storage facilities which may serve the same purpose as storage with a dealer, so that limiting the proposal to dealer storage would be inappropriate. • The perception was noted that storage facilities at dealers differ greatly, and reliability is not consistent. As a result, owners may be reluctant to take up the incentive. • It was also argued that few primary production licence holders would take up this discount. Farmers advised that, particularly where a farmer keeps livestock, their firearm is likely to be needed as soon as they arrive at the farm. Storing a firearm at a dealer and collecting it every time they arrive was considered inconvenient and unlikely to be attractive to people who are absent for long periods. <p>Victoria Police noted that aspects of the proposal could be difficult to enforce. In particular, it would be costly to monitor whether licensees are in fact storing their firearms with a dealer during periods of absence. In addition, the licensee would be required to report any periods of absence to Victoria Police. In the event the applicant's circumstances changed, such that they were no longer absent for lengthy periods, Victoria Police would be required to recoup some portion of the discount offered. Finally, the threshold for a 'long absence', suggested to be four weeks, would be difficult to verify at the time an application was made.</p> <p>In light of the small incentive provided and the administrative costs to Victoria Police of seeking proof of storage and processing a refund, it is not proposed that this change proceed.</p>

Reconciliation of changes between the current and proposed Regulations, including rationale for minor changes

Current regulation	Proposed regulation	Heading	Changes in the exposure draft (other than drafting changes)
1	1	Objectives	Updated to reflect new content of Regulations.
2	2	Authorising provisions	Updated in accordance with changes in drafting practice.
3	3	Commencement date	The commencement date will be updated in line with the sunseting date of the existing regulations.
4	4	Definitions	No change.
5	5	Revocations	Updated to reflect regulations that will be revoked. No longer contained in a Schedule.
20	6	Exempt devices	Updated to add the following devices: <ul style="list-style-type: none"> • arborist line launchers • dog-training devices
-	7	Prescribed items	New regulation: provides that handgun chassis or carbine conversion kits are prescribed items for various sections of the Act, meaning they require a permit.
22	8	Conduct of sport or target shooting activity on private property other than an approved shooting range	Amended to provide that, where police notification is required, the notification must be made at least 48 hours ahead of the event. Updated terminology, including a clearer reference to 'road'.
6	9	Requirements for activities for the suppression of pest animals if category C longarms are used	Updated terminology, including a clearer reference to 'road'.
7	10	Particulars to be entered on firearms dealers register	No change.
14	11	Maximum fee for licensed firearms dealer acting as agent	Maximum dealer transaction fee set at three fee units
8	12	Particulars to be entered on firearms collectors register	No substantial change, save for removing the need to record details of the person from whom a firearm was acquired or to whom a firearm was disposed of.
9(1)	13	Fees for licences held by natural persons	Consequential changes made and changes to reflect introduction of an application fee. Specific provision added to explain how the junior licence fee is calculated.
9(2)	14	Fees for licences held by bodies corporate	Consequential changes made and changes to reflect introduction of an application fee.
9(8)	15	Fees for provisional licences	Consequential changes made and changes to reflect introduction of an application fee.

Current regulation	Proposed regulation	Heading	Changes in the exposure draft (other than drafting changes)
12	16	Fees for permits	No change.
18	17	Fees for approvals	No change.
11 & 15	18	Miscellaneous fees	No change.
-	19	Time at which fee is paid	New regulation: consequential on the introduction of an application fee, provides that the application fee and the fee for issue or renewal may be requested when the application is filed and, if such a request is made, the issue or renewal fee must be refunded should the application not succeed.
-	20	Refund of fees for unexpired portion of licence	New regulation: provides that if a licence is surrendered before its expiry date, the fee paid for the issue or renewal of the licence must be refunded on a pro rata basis.
9(3)–(6) & 10(1)–(2)	21	Licence fees—holders of category A, B or C longarm licences	Redrafted to clarify the fee waivers applied where a person seeks or holds more than one of the following licences: category A longarm licence, category B longarm licence and category C longarm licence. Further clarifies that this waiver cannot be obtained in addition a waiver for the reason of primary production (under present arrangements, it is potentially arguable that applicants could first obtain a category C licence, fee waived for reasons of primary production, and then obtain a second category A or B licence for non-primary production reasons and still receive a waiver on the second licence, despite the lack of a policy rationale for them receiving one).
9(7)	22	Licence fees—holders of firearms dealers licences in multiple classes	Redrafted for clarity and amended to account for the introduction of an application fee.
10(3)	23	Longarm licence for the reason of primary production	Redrafted for clarity, and also to make clear that the waiver is only available where a licence is held for the sole purpose of primary production.
-	24	Fee reductions for certain licence holders	New regulation: provides for fee reductions to 75 per cent of the full fee if an applicant for certain licences is aged over 70 or is an 'eligible recipient' within the meaning of the <i>State Concessions Act 2004</i> . Further provides that the reduction cannot be claimed in addition to other waivers.

Current regulation	Proposed regulation	Heading	Changes in the exposure draft (other than drafting changes)
16	25	Manner of conducting searches	Amended to incorporate a technology neutral description of a 'metal detector'. Amended to provide that, if a garment requested to be removed is believed to be worn for religious or cultural reasons, that it should be permitted to be removed out of public view. Further amended to better reflect transgender and gender diverse people. Also some redrafting for clarity, and to reflect changes in terminology brought about by the <i>Victoria Police Act 2013</i> .
17	26	Searching students at schools	No change, besides to reflect changes in terminology brought about by the <i>Victoria Police Act 2013</i> .
18	27	Search records	No change, besides to reflect changes in terminology brought about by the <i>Victoria Police Act 2013</i> .
19	29	Infringement penalty for prescribed offences	Subregulations (1) and (2) unchanged. Subregulation (3) removed, consequential on amendments to Schedule 7.
23	30	Prescribed States for interstate permit to acquire	No change.
24	31	Prescribed purposes for applying for longarm and general category handgun licences	No change.
28	32	Specified classes of general category handguns	No change.
27	33	Approved handgun target shooting clubs—prescribed form of report	No change.
21	34	Prescribed bodies representing shooting organisations on the Firearms Appeals Committee	Field & Game Australia added as a new prescribed body.
26	35	Prescribed class of social worker	No change.
25	36	Exemption for international visitors	No change.
Sch 2	Sch 1	Particulars to be entered on firearms dealers register of transactions	Minor changes: <ul style="list-style-type: none"> inventory/stock number included as prescribed particulars for transactions where dealer acts as agent (which reflects current practice) item 1 amended to clarify that it applies where a firearm is received for storage.

Current regulation	Proposed regulation	Heading	Changes in the exposure draft (other than drafting changes)
Sch 3	Sch 2	Particulars to be entered on firearms collectors register	<p>Amended so that, in the case of firearms coming into or going out of the possession of the holder of a collector's licence, the following particulars no longer need to be entered:</p> <ul style="list-style-type: none"> name and address of the dealer acquired from/disposed of to or who witnessed transfer name and address of the person from/to whom the firearm was acquired/disposed of (where dealer acted as agent)
Sch 4	Sch 3	Licence fees	<p>Fee levels altered.</p> <p>Amended to reflect the introduction of an application fee, including by separating the Table into two (for natural persons and bodies corporate).</p> <p>Differential fees for general category handgun licences for the purpose of private security based on number of handguns removed, as there is no difference in regulatory effort.</p> <p>Scope of a class 2 dealer licence amended to permit dealing in category C longarms.</p>
Sch 5	Sch 4	Permit fees	<p>Fee levels altered.</p> <p>Display permits for dealers under section 91 and theatrical armourer permits under section 92A separately listed, not combined, but still carrying the same fee.</p> <p>Fee prescribed for permits to acquire category D longarms and category E longarms.</p> <p>Fee prescribed for permit to carry or use firearms in certain places under section 130 of the Act.</p>
Sch 6	Sch 5	Approval fees	Fee levels altered.
-	Sch 6	Composite fees	New Schedule. Sets out fees payable where a person holds or seeks a combination of category A, B and C longarms licences.
Sch 7	Sch 7	Infringement offences	<p>Additional offences prescribed, namely those contrary to:</p> <ul style="list-style-type: none"> section 87(2) section 121(1), and section 121(1A). <p>Offence descriptions removed as unnecessary.</p>
Sch 9	Sch 8	Prescribed classes of general category handgun	No change.

Current regulation	Proposed regulation	Heading	Changes in the exposure draft (other than drafting changes)
Sch 8	Sch 9	Section 123C of the Act	Amended so that the club participation record for each member is not required to include the serial number of the handgun used in each match or shoot, Instead, the handgun model must be included.

Appendix 2 Detailed fees table

The table below outlines the total fee payable for each of the licences, permits and approvals under each of the options for remaking the Regulations, as discussed in this RIS. It is important to note that under Option 2 (the preferred option), the proposed Regulations will introduce an application fee for some fee categories which will mean that half of the total fee will be payable on application, while the second half of the fee would be payable for the issue or renewal of the licence (discussed further below).

Note that the Regulations prescribe fees in fee units, which increase each year by the Treasurer's annual rate. For simplicity, this table compares current fees to the 2017–18 dollar value of the fee units that would be set under Options 1 or 2.

Note also that in some cases the proposed regulations prescribe fees by breaking them into 'application fees' and 'licence fees'. For instance, Regulation 13 states that for licences for individuals listed in Schedule 3 Table 1 of the proposed regulations, the fee payable is the application fee, plus the licence fee multiplied by the number of years for which the licence is issued or renewed. To illustrate, Schedule 3 Table 1 states the application fee and licence fee for an individual licence for a category A longarm are as 8.2 fee units and 1.64 fee units, respectively. Because a category A longarm licence has a duration of five years, the total fee for a category A longarm licence is $8.2 + (1.64 \times 5) = 16.4$ fee units, which at the current value of a fee unit of \$14.22 is worth $16.4 \times \$14.22 = \233.20 .

Fee category	Current fee structure		Option 1: Full cost recovery				Option 2: Partial cost recovery			
	Fee	Total Recovery	Fee	Fee Change	Total Recovery	Recovery Change	Fee	Fee Change	Total Recovery	Recovery Change
Longarm category A individual	\$233.2	\$10,715,991	\$231.3	-1%	\$9,439,389	\$(1,276,602)	\$233.2	0%	\$10,716,061	\$71
Longarm category B individual	\$269.5		\$233.8	-13%			\$269.5	0%		
Longarm category A business	\$422.3		\$430.2	2%			\$426.3	1%		
Longarm category B business	\$422.3		\$430.2	2%			\$426.3	1%		
Longarm category C individual	\$161.7		\$353.4	119%			\$257.5	59%		
Longarm category D individual	\$253.4		\$367.5	45%			\$310.4	23%		
Longarm category E individual	\$253.4		\$367.5	45%			\$310.4	23%		
General category handgun licence - sport or target shooting - Individual	\$196.7		\$276.1	40%			\$236.4	20%		
General category handgun licence - security guard, prison guard, official or commercial purpose - Individual	\$305.9		\$289.5	-5%			\$305.9	0%		
General category handgun licence for possessing or carrying a general category handgun, for carriage and use by the holder of a junior handgun target shooting licence individual	\$196.7		\$249.7	27%			\$223.2	13%		
Category E handgun individual	\$297.3	\$768,375	\$383.9	29%	\$1,215,244.78	\$446,869	\$340.6	15%	\$996,956.98	\$228,581

Fee category	Current fee structure		Option 1: Full cost recovery				Option 2: Partial cost recovery			
	Fee	Total Recovery	Fee	Fee Change	Total Recovery	Recovery Change	Fee	Fee Change	Total Recovery	Recovery Change
Longarm category C business	\$253.4		\$645.4	155%			\$449.4	77%		
Longarm category D business	\$406.5		\$645.4	59%			\$526.0	29%		
Longarm category E business	\$406.5		\$645.4	59%			\$526.0	29%		
General category handgun licence - sport or target shooting - business	\$511.5		\$572.1	12%			\$541.8	6%		
General category handgun licence - security guard, prison guard, official or commercial purpose business	\$511.5		\$588.5	15%			\$550.0	8%		
General category handgun licence for possessing or carrying a general category handgun, for carriage and use by the holder of a junior handgun target shooting licence business	\$494.0		\$604.9	22%			\$549.5	11%		
Category E handgun business	\$450.1		\$661.8	47%			\$555.9	24%		
Paintball marker licence individual	\$233.2		\$231.3	-1%			\$233.2	0%		
Paintball marker licence business	\$422.3	\$22,116	\$430.2	2%	\$21,944	\$(172)	\$426.3	1%	\$22,118	\$2
Junior licence - individual	\$52.5		\$233.3	345%			\$52.5	0%		
Provisional licence for a member of an approved handgun target shooting club who does not hold a handgun licence, to carry or use a handgun at approved places	\$109.2	\$201,901	\$276.1	153%	\$809,652	\$607,751	\$109.2	0%	\$201,901	\$-
Category 1 firearm collectors licence individual	\$342.0		\$243.1	-29%			\$342.0	0%		
Category 1 firearm collectors licence business	\$677.6		\$392.0	-42%			\$677.6	0%		
Category 2 firearm collectors licence individual	\$408.1		\$257.3	-37%			\$408.1	0%		
Category 2 firearm collectors licence business	\$516.9		\$409.3	-21%			\$516.9	0%		
Antique handgun collectors licence individual	\$342.0		\$243.1	-29%			\$342.0	0%		
Antique handgun collectors licence business	\$677.6		\$392.0	-42%			\$677.6	0%		
Firearms heirlooms licence	\$167.1	\$67,636	\$243.1	46%	\$53,864	\$(13,773)	\$205.1	23%	\$69,741	\$2,105

Fee category	Current fee structure		Option 1: Full cost recovery				Option 2: Partial cost recovery			
	Fee	Total Recovery	Fee	Fee Change	Total Recovery	Recovery Change	Fee	Fee Change	Total Recovery	Recovery Change
Firearms ammunition collectors licence business	\$342.0		\$392.0	15%			\$367.0	7%		
Firearms ammunition collectors licence individual	\$167.1		\$243.1	46%			\$205.1	23%		
Class 1 dealer licence (individual)	\$1,783.6		\$1,994.7	12%			\$1,889.1	6%		
Class 2 dealer licence (individual)	\$1,276.8		\$1,912.4	50%			\$1,594.6	25%		
Class 3 dealer licence (individual)	\$765.3		\$1,136.5	48%			\$950.9	24%		
Class 1 dealer licence (business)	\$2,041.7		\$2,207.2	8%			\$2,124.5	4%		
Class 2 dealer licence (business)	\$1,783.6		\$2,116.7	19%			\$1,950.1	9%		
Class 3 dealer licence (business)	\$1,018.7		\$1,333.6	31%			\$1,176.2	15%		
Paintball marker dealer licence (individual)	\$-		\$1,136.5	*			\$950.9	*		
Paintball marker dealer licence (business)	\$-	\$178,606	\$1,333.6	*	\$205,367	\$26,761	\$1,176.2	*	\$191,987	\$13,380
Permit to acquire a category A longarm	\$9.2		\$26.0	183%			\$17.6	91%		
Permit to acquire a category B or C longarm	\$9.2		\$30.6	232%			\$19.9	116%		
Permit to acquire a category D or E longarm	\$-		\$30.6	*			\$19.9	*		
Permit to acquire a handgun	\$51.0	\$710,533	\$69.1	35%	\$1,906,522	\$1,195,990	\$60.1	18%	\$1,308,528	\$597,995
Permit to acquire a paintball marker	\$9.2	\$1,496	\$26.0	183%	\$4,227	\$2,731	\$17.6	91%	\$2,861	\$1,366
Display permits for dealers issued under section 91	\$51.0		\$93.6	83%			\$72.3	42%		
Permits for theatrical armourers under section 92A	\$51.0		\$93.6	83%			\$72.3	42%		
Permit to for individual holder of firearms collectors licence or firearms ammunition collectors licence to display firearms or ammunition collections	\$33.4		\$37.9	13%			\$35.7	7%		
Permits to display firearms or ammunition collections for approved firearms collectors clubs	\$33.4		\$44.7	34%			\$39.0	17%		
Permit for silencer or prescribed items	\$84.5		\$278.9	230%			\$181.7	115%		
Populous place permit	\$-	\$5,251	\$431.1	*	\$61,988	\$56,738	\$333.9	*	\$47,585	\$42,334

Fee category	Current fee structure		Option 1: Full cost recovery				Option 2: Partial cost recovery			
	Fee	Total Recovery	Fee	Fee Change	Total Recovery	Recovery Change	Fee	Fee Change	Total Recovery	Recovery Change
Permit for holder of handgun security guard licence to possess, carry or use restricted ammunition	\$84.5		\$295.9	250%			\$190.2	125%		
Permit issued for individual holder of collectors firearms licence to carry or use firearms at commemorative or historical events.	\$42.4		\$46.8	10%			\$44.6	5%		
Permit issued to carry or use firearms held under a collectors licence—approved firearms collectors clubs for approved firearms collectors club	\$33.4		\$55.1	65%			\$44.2	32%		
Approval for handgun target shooting club	\$185.1		\$402.3	117%			\$293.7	59%		
Approval for firearms collectors club	\$185.1	\$4,184	\$402.3	117%	\$9,091	\$4,907	\$293.7	59%	\$6,638	\$2,453
Review of decision	\$42.7	\$3,242	\$332.6	679%	\$25,250	\$22,000	\$42.7	0%	\$3,242	\$-
Duplicate licence for any of the licences under Schedule 4	\$25.6	\$5,119	\$41.9	64%	\$8,378	\$3,258	\$33.7	32%	\$6,748	\$1,629
Total		\$12,684,450			\$13,738,909	\$1,054,458			\$13,574,367	
Impact of primary production waiver		\$(1,994,542)			\$-				\$(2,016,036)	
Impact of concession for older licensees and pensioners		\$-			\$-				\$(430,195)	
Total revenue		\$10,689,908			\$13,738,909				\$11,128,135	
Percentage of costs recovered		78%			100%				81%	

Note: ‘*’ indicates that a fee category is new, and there is therefore no current fee to compare it against.

Appendix 3 Summary of activity-based costing

The approach in the ABC modelling was based on the Department of Treasury and Finance's *Cost Recovery Guidelines*.

To inform the development of the ABC model, the activities undertaken by Victoria Police associated with regulating firearms were identified and mapped. Estimates of time spent on each activity were obtained through detailed consultation. These time allocations were settled in consultation with LRD. They are generally current as at February 2017 (with some being more recent due to subsequent verification).

In order to verify the cost attributions remained up to date, tables outlining the time estimates for processing key licence and permit categories were provided to Victoria Police for verification. Examples of the material provided are included below in Table 40 and Table 41. These tables reflect the final state of these estimates following minor revisions by Victoria police.

Licence applications take much longer than permits to acquire to process, given that there is a greater quantity of information provided, and a greater level of risk involved (i.e. a licence allows someone to hold a firearm, whereas a permit to acquire allows an approved person to hold the firearm that they are licensed for). Each application for a licence or permit to acquire is assessed separately, given that each decision is separate and requires consideration of the individual risks associated with the individual applicant, and the type and number of relevant firearms they are licensed to hold. It is important to note that the time estimates use averages across the time taken for new and renewal applications, noting that renewal applications are generally faster to process – as these estimates relate to attribution of LRD's costs alone, this is an appropriate approach given that there is not the risk of overstating costs.

Table 40: Time estimates for processing individual longarm licence applications (minutes)

Process	Longarm cat A individual	Longarm cat B individual	Longarm cat C individual	Longarm cat D individual	Longarm cat E individual	Handgun individual
Receive docs and enter onto the Licensing and Registration System	6.1	6.1	6.1	6.1	6.1	6.1
Assessment of details: prohibited person, competency assessment and physical/mental health, and genuine reason	19.4	23.4	57.4	75.0	75.0	41.0
Potential involvement of sworn officers (cover sheet, assessment, decision)	19.2	19.2	19.2	19.2	19.2	19.2
Finalising administration (approval and imaging)	8.9	8.9	8.9	8.9	8.9	8.9
Total	53.6	57.6	91.6	126.6	126.6	75.2

Table 41: Time estimates for processing permits to acquire (minutes)

Process	Permit to acquire a cat A longarm	Permit to acquire a cat B or C longarm	Permit to acquire a handgun	Permit to acquire a paintball marker
Receive docs and enter onto the Licensing and Registration System	2.9	2.9	2.9	2.9
Assessment of details: prohibited person, competency assessment and physical/mental health, and genuine reason	6.6	9.6	29.6	6.6
Potential involvement of sworn officers (cover sheet, assessment, decision)	0.5	0.5	1.3	0.5
Finalising administration (approval and imaging)	8.9	8.9	8.9	8.9
Total	18.9	21.9	42.7	18.9