

19 September 2011

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Dear Ms Bunnett

ADVICE ON THE ADEQUACY OF REGULATORY IMPACT STATEMENT

Thank you for seeking advice on the Regulatory Impact Statement (RIS) on the proposed *Control of Weapons Regulations 2011*.

The Victorian Competition and Efficiency Commission (VCEC) advises on the adequacy of RISs as required under section 11 of the *Subordinate Legislation Act 1994* (the Act). I advise that the final version of the RIS received by the VCEC on 16 September 2011 meets the requirements of section 10 of the Act.

The VCEC's advice is based on the adequacy of the evidence presented in the RIS and is focused on the quality of the analysis rather than the merits of the proposal itself. **Therefore, the VCEC's advice that the RIS is adequate does not represent an endorsement of the proposal.**

The VCEC notes that the Department of Justice (the Department) is proposing to maintain application fees at their current level, when expressed in fee units. The Department has estimated this will result in the recovery of less than 20 per cent of the costs of administering and enforcing the Regulations. It is the Department's view that such a low level of cost recovery is justified to avoid discouraging people from partaking in legitimate uses of weapons and to enhance compliance with the regulations.

As noted in the Department of Treasury and Finance's *Cost Recovery Guidelines* (p. 6), '[i]ncorporating the costs of administering government regulation into the prices of regulated products and services ensures ... that activities that require high levels of regulation are not favoured over activities that require low levels of regulation'. Thus, as acknowledged in the RIS:

- setting fees at less than 20 per cent of the full cost recovery level may result in greater ownership and legitimate use of controlled weapons than is 'optimal' from society's perspective; and
- there is, moreover, no evidence of there being broader spillover benefits to society of legitimate weapons use that would justify this level of under-recovery of costs.

The VCEC also notes that the multi-criteria analysis (MCA) includes objectives '*Allow legitimate weapons use in a safe manner*' and '*Reduce the costs from inconsistencies with other Australian jurisdictions*' that have been awarded weights of less than ten per cent. If these criteria were assigned greater weights, then: this would make the MCA more consistent with the decision to maintain application fees at their current level, when expressed in fee units; and an option with fewer controls on weapons may have been preferred. Stakeholder feedback on the questions contained in the RIS will help the Department to validate the relative importance of these criteria.

In the interests of transparency, most departments and agencies publish this letter alongside the RIS when it is released for consultation. The VCEC recommends that you do the same.

If you have any questions, please contact RegulationReview@vcec.vic.gov.au.

Yours sincerely



Nick Voukelatos

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Victorian Competition and Efficiency Commission