



Commissioner for Better Regulation

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18 April 2016

Ms Julia Griffith
Deputy Secretary
Police and Corrections
Department of Justice and Regulation
Level 26, 121 Exhibition Street
MELBOURNE VIC 3000

Dear Ms Griffith, *Julia,*

I would like to thank the staff of the Department of Justice and Regulation (DOJR) for working with our team on the preparation of the Regulatory Impact Statement (RIS) for the Private Security Regulations 2016, which are sunseting in June 2016.

Under section 10 of the *Subordinate Legislation Act 1994*, the Commissioner for Better Regulation is required to provide independent advice on the adequacy of analysis presented in all RIS prepared in Victoria. In doing so, the Commissioner's role is not to provide a view on the merits of any policy or regulatory proposal contained in a RIS, but to advise specifically on the adequacy or otherwise of the RIS overall. To be adequate, the RIS must contain analysis that is logical, draws on relevant evidence, is transparent about assumptions used, and is proportionate to the proposal's expected effects. The RIS must also provide a suitable basis for public consultation, which is an important step in the policy development process.

I am pleased to advise you that the final version of the RIS received by us on 18 April 2016 meets the adequacy requirements of the Act.

The *Private Security Act 2004* (the Act) specifies which professions need to be licensed and that those using prescribed equipment must be registered. The Act also details some of the information to be included in licence or registration applications. These Regulations essentially operationalise the Act, by setting licence and registration fees, and prescribing details to be included in applications, reporting requirements for licensed and registered parties, and which types of equipment constitute security equipment. The analysis in the RIS of the non-fee aspects of the Regulations is comprehensive in explaining the rationale for the Regulations and their operation, particularly given their estimated impact.

In relation to fees, the Department has presented extensive data, developed by Victoria Police, on the costs of various activities undertaken in regulating the private security industry. However, Victoria Police does not have up-to-date disaggregated data on the time and costs associated with completing these regulatory activities, so the costs that underlie the proposed fees were allocated on the basis of assumptions validated by Victoria Police. These assumptions have been clearly outlined in the RIS.

The lack of disaggregated data reflects several factors that are noted in the RIS, including that there are no units within Victoria Police dedicated entirely to regulating private security and that

there have not been any recent reviews of the breakdown of the regulatory costs incurred by Victoria Police. This lack of activity-based costing data has amplified uncertainties about the future costs of the application assessment process following planned process improvements.

In light of the uncertainties surrounding the cost base, the Department has:

- proposed maintaining the current fee structure, which aims to recover fully the costs of regulating the private security industry (estimated to be \$6.4 million in 2015-16)
- committed to undertaking an activity-based costing and review of the fee structure, to ensure fees best reflect the cost of implementing the regulatory framework. This will take place within five years and in consultation with Victoria Police.

This review will enable the Department and Victoria Police to improve the information they have about the major sources of the cost of regulating private security. The Government will then be able to consider alternative fee structures and levels, enabling fees to align more closely with regulatory cost and reflect changes that result from the planned rollout of the Electronic Lodgement Process for licence and registration applications.

It is government practice that this letter be published with the RIS when it is released for public consultation.

Should you wish to discuss any issue raised in this letter, or the implications of new information or policy options identified through the public consultation process for your proposal, please do not hesitate to contact me on (03) 9092 5800.

Yours sincerely



Anna Cronin
Commissioner for Better Regulation