Marine Safety (Fees)

Regulations 2021

Regulatory Impact Statement

Contents

[Glossary 7](#_Toc71803853)

[1 Executive Summary 8](#_Toc71803854)

[1.1 Nature and extent of the problem (refer to Section 3) 8](#_Toc71803855)

[1.1.1 Recreational marine sector in Victoria (refer to Section 3.1.1) 8](#_Toc71803856)

[1.1.2 Commercial marine sector in Victoria (refer to Section 3.1.2) 9](#_Toc71803857)

[1.1.3 General principles of cost recovery (refer to Section 3.2) 10](#_Toc71803858)

[1.1.4 Better Boating Fund (refer to Section 3.3) 10](#_Toc71803859)

[1.1.5 Revenue from current marine safety regulatory fees (refer to section 3.4) 10](#_Toc71803860)

[1.1.6 Estimating the efficient costs of marine safety activities (refer to Section 3.5) 11](#_Toc71803861)

[1.1.7 Assessing the efficiency of regulatory costs (refer to Section 3.6) 12](#_Toc71803862)

[1.1.8 Effect of revenue and costs on the Better Boating Fund (refer to Section 3.7) 12](#_Toc71803863)

[1.2 Objectives (refer to Section 4) 13](#_Toc71803864)

[1.3 The base case (refer to Section 5) 13](#_Toc71803865)

[1.4 Identification of feasible options (refer to Section 6) 13](#_Toc71803866)

[1.4.1 Summary of high-level options (refer to Section 6.1) 13](#_Toc71803867)

[1.4.2 Consideration of sub-options for Option Two – restructuring fees (refer to Section 6.2) 14](#_Toc71803868)

[1.4.3 Consideration of sub-options for Option Three – increase fees to generate more funding for priority investments (refer to Section 6.3) 14](#_Toc71803869)

[1.5 Impact assessment (refer to Section 7) 15](#_Toc71803870)

[1.6 Preferred option (refer to Section 8) 16](#_Toc71803871)

[1.7 Implementation, Evaluation and Consultation (refer to Sections 9, 10, and 11) 16](#_Toc71803872)

[1.8 Stakeholder Questions 17](#_Toc71803873)

[2 Background 18](#_Toc71803874)

[2.1 Introduction 18](#_Toc71803875)

[2.2 Regulating marine safety 18](#_Toc71803876)

[2.3 Scope of the RIS 19](#_Toc71803877)

[2.4 Requirements of the Subordinate Legislation Act 1994 19](#_Toc71803878)

[2.5 Structure of the RIS 19](#_Toc71803879)

[2.6 How you can have your say 20](#_Toc71803880)

[3 Nature and extent of the problem 21](#_Toc71803881)

[3.1 Risks associated with marine activities 21](#_Toc71803882)

[3.1.1 Recreational marine sector in Victoria 21](#_Toc71803883)

[3.1.2 Commercial marine sector in Victoria 23](#_Toc71803884)

[3.2 General principles of cost recovery 26](#_Toc71803885)

[3.3 Better Boating Fund 27](#_Toc71803886)

[3.4 Revenue from current marine safety regulatory fees 28](#_Toc71803887)

[3.4.1 Recreational marine revenue 28](#_Toc71803888)

[3.4.2 Commercial marine revenue 32](#_Toc71803889)

[3.5 Estimating the efficient costs of marine safety activities 34](#_Toc71803890)

[3.5.1 Transport Safety Victoria 34](#_Toc71803891)

[3.5.2 Emergency Management Victoria 42](#_Toc71803892)

[3.5.3 Summary of costs 46](#_Toc71803893)

[3.6 Assessing the efficiency of regulatory costs 47](#_Toc71803894)

[3.6.1 Efficiency of current regulatory costs 47](#_Toc71803895)

[3.6.2 Possible options for increasing efficiency 48](#_Toc71803896)

[3.7 Effect of revenue and costs on the Better Boating Fund 48](#_Toc71803897)

[4 Objectives 50](#_Toc71803898)

[4.1 Efficient and equitable cost recovery 50](#_Toc71803899)

[4.2 Minimising any negative impact on compliance and safety outcomes, small business and participation 51](#_Toc71803900)

[4.3 Funding priority capital and infrastructure investments 51](#_Toc71803901)

[5 The base case 52](#_Toc71803902)

[6 Identification of feasible options 53](#_Toc71803903)

[6.1 Summary of high-level options 53](#_Toc71803904)

[6.1.1 Option 1: Remake prescribed fees without change 53](#_Toc71803905)

[6.1.2 Option 2: Restructure fees to achieve full cost recovery for individual marine safety regulatory activities 54](#_Toc71803906)

[6.1.3 Option 3: Increase fees to generate more funding for future priority boating investments 54](#_Toc71803907)

[6.2 Consideration of sub-options for Option Two – restructuring fees 54](#_Toc71803908)

[6.2.1 Option 2a: Recovering the costs of administration for vessel registrations 55](#_Toc71803909)

[6.2.2 Option 2b: Varying the BFSE fee by a factor other than the size of the vessel 57](#_Toc71803910)

[6.2.3 Option 2c: New fees to recover the costs of administration of commercial qualifications 58](#_Toc71803911)

[6.3 Consideration of sub-options for Option Three – increase fees to generate more funding for priority investments 59](#_Toc71803912)

[6.3.1 Option 3a: Increase all fees to achieve targeted aggregate increase in revenue 60](#_Toc71803913)

[6.3.2 Option 3b: Increase PWC-related fees 62](#_Toc71803914)

[7 Impact assessment 65](#_Toc71803915)

[7.1 Methodology 65](#_Toc71803916)

[7.1.1 Summary of approach for multi-criteria analysis 65](#_Toc71803917)

[7.1.2 Criteria for assessment 65](#_Toc71803918)

[7.1.3 Criteria scoring 66](#_Toc71803919)

[7.2 Assessment of options 67](#_Toc71803920)

[7.3 Summary 71](#_Toc71803921)

[8 Preferred options 73](#_Toc71803922)

[8.1 Summary of the preferred option 73](#_Toc71803923)

[8.2 Impact on small business 76](#_Toc71803924)

[8.3 Statement of compliance with National Competition Policy 77](#_Toc71803925)

[8.3.1 Background 77](#_Toc71803926)

[8.3.2 Assessment 77](#_Toc71803927)

[9 Implementation 79](#_Toc71803928)

[9.1 Transitioning to the new regime 79](#_Toc71803929)

[9.2 Communications with regulated entities 79](#_Toc71803930)

[9.3 Approach to compliance 79](#_Toc71803931)

[10 Evaluation Strategy 80](#_Toc71803932)

[10.1 When and how will an evaluation be conducted 80](#_Toc71803933)

[10.2 Performance indicators 80](#_Toc71803934)

[10.3 Data 81](#_Toc71803935)

[10.3.1 Baseline data used in the RIS 81](#_Toc71803936)

[10.3.2 Data used to inform performance indicators 81](#_Toc71803937)

[10.4 Areas of improvement for data 82](#_Toc71803938)

[10.4.1 Data on use of infrastructure 82](#_Toc71803939)

[10.4.2 Cost data 82](#_Toc71803940)

[10.4.3 Injury and incident data 82](#_Toc71803941)

[11 Consultation 83](#_Toc71803942)

[11.1 Next steps 83](#_Toc71803943)

List of Tables

[Table 3-1: Vessels registered in Victoria shown by vessel type and vessel length as at 15 December 2020 22](#_Toc71803944)

[Table 3-2: Victorian recreational marine licences and PWC endorsements on issue as at 15 December 2020 23](#_Toc71803945)

[Table 3-3: Number of local knowledge certificates currently on issue and examinations by declared water in 2019-20 24](#_Toc71803946)

[Table 3-4: Number of pilot licences and pilot exemption certificates on issue as at 15 December 2020 25](#_Toc71803947)

[Table 3-5: Prescribed registration and licence fees for recreational vessels in Victoria 2019-20 29](#_Toc71803948)

[Table 3-6: Aggregate revenue from the recreational boating sector under the Marine Safety Regulations in 2019-20 30](#_Toc71803949)

[Table 3-7: Marine licence and vessel registration transactions over 5 years 31](#_Toc71803950)

[Table 3-8: Marine licence and vessel registration revenue over 5 years 32](#_Toc71803951)

[Table 3-9: Prescribed commercial qualification fees in Victoria 2019-20 32](#_Toc71803952)

[Table 3-10: Aggregate revenue from commercial boating sector under the Marine Safety Regulations in 2019-20 34](#_Toc71803953)

[Table 3-11: Aggregate costs attributed to maritime regulatory activities under the Marine Safety Act and the Regulations in 2019-20 – by cost category 35](#_Toc71803954)

[Table 3-12: Service Level Agreement between TSV and VicRoads 35](#_Toc71803955)

[Table 3-13: Aggregate recreational and commercial costs attributed to TSV’s maritime regulatory activities under the Marine Safety Act and the Regulations in 2019-20 – by activity category 36](#_Toc71803956)

[Table 3-14: Estimate aggregate costs of activities in relation to recreational vessels 37](#_Toc71803957)

[Table 3-15: Estimate aggregate costs of activities in relation to local knowledge certificates 38](#_Toc71803958)

[Table 3-16: Estimate aggregate costs of activities in relation to pilotage and pilot exemptions 38](#_Toc71803959)

[Table 3-17: Estimate aggregate costs of activities in relation to port safety 39](#_Toc71803960)

[Table 3-18: Estimate aggregate costs of activities in relation to waterway and navigational safety 40](#_Toc71803961)

[Table 3-19: Estimate of aggregate costs of activities in relation to certification support 41](#_Toc71803962)

[Table 3-20: Estimate of aggregate costs of activities in relation to corporate management 42](#_Toc71803963)

[Table 3-21: Estimate of aggregate costs of other activities 42](#_Toc71803964)

[Table 3-22: Aggregate EMV costs attributable to the MSAR function in 2019-20 – by activity category 43](#_Toc71803965)

[Table 3-23: EMV grants provided to MSAR units in 2020-21 45](#_Toc71803966)

[Table 3-24: Summary of aggregate costs for recreational boating sector 46](#_Toc71803967)

[Table 3-25: Summary of aggregate costs for commercial boating sector 46](#_Toc71803968)

[Table 6-1: Estimated annual revenue and costs under proposed new registration fees 55](#_Toc71803969)

[Table 6-2: Proposed fees and aggregate revenue under Sub-options 1, 2 and 3 for Option 3a 60](#_Toc71803970)

[Table 6-3: Proposed fees and aggregate revenue under Sub-options 1 and 2 for Option 3b 63](#_Toc71803971)

[Table 7-1: Proposed criterion weights for multi-criteria analysis of fee options 66](#_Toc71803972)

[Table 7-2: Options assessment criteria ratings for fees 67](#_Toc71803973)

[Table 7-3: Summary of multi-criteria analysis for fee options 71](#_Toc71803974)

[Table 8-1: Proposed marine licence and vessel registration fees 73](#_Toc71803975)

[Table 8-2: Proposed fees for commercial qualifications 74](#_Toc71803976)

[Table 8-3: Detailed competition analysis of proposed regulations 78](#_Toc71803977)

# Glossary

|  |  |
| --- | --- |
| AMSA | Australian Maritime Safety Authority |
| ATP | Accredited Training Provider |
| AVCG | Australian Volunteer Coast Guard |
| BBF | Better Boating Fund |
| BFSE | Boating Facilities and Safety Education |
| BIA | Boating Industry Association |
| BRV | Better Regulation Victoria |
| DoT | Department of Transport |
| EMV | Emergency Management Victoria |
| LSV | Life Saving Victoria |
| MSAR | Marine Search and Rescue |
| MSV | Maritime Safety Victoria |
| PEC | Pilot Exemption Certificate |
| PWC | Personal Watercraft |
| RIS | Regulatory Impact Statement |
| SLA | Service Level Agreement |
| TSV | Transport Safety Victoria |
| VRFish | Victorian Recreational Fishing Peak Body |

# Executive Summary

The primary statute governing marine safety matters in Victoria is the *Marine Safety Act 2010*. The purpose of the Marine Safety Act is to ‘provide for safe marine operations’ in Victoria which includes providing for the safe operation of vessels and for the safety of marine safety infrastructure and operations involving its use.

The Marine Safety Regulations 2012 (‘the Regulations’) support the implementation of the Marine Safety Act. The objectives of the Regulations are to provide for safe marine operations in Victoria by making provisions in relation to:

* the registration and operation of recreational vessels,
* the licensing of masters of recreational vessels and regulated hire and drive vessels and endorsements on marine licences, and
* the prescription of various other matters for the purposes of the Marine Safety Act.

Part 13 of the Marine Safety Regulations 2012 prescribes regulatory fees, including for marine licences, vessel registrations and a range of permissions in the ports and shipping sector. These regulatory fees are important because the revenue raised from marine licensing and vessel registrations are to be paid into the Better Boating Fund, which is a legislated Trust Account dedicated to improving boating safety and facilities. Part 13 of the Regulations is set to expire on 8 July 2021.

DoT has prepared this Regulatory Impact Statement (RIS) to inform consideration of the exposure draft of the regulations that are proposed to replace Part 13 of the Regulations. This RIS has been prepared in accordance with requirements of the *Subordinate Legislation Act 1994* and the Victorian Guide to Regulation.

The Commissioner for Better Regulation is responsible for providing independent advice and reviewing the adequacy of RISs for public consultation purposes. Better Regulation Victoria (BRV) supports the Commissioner for Better Regulation and makes its assessment of adequacy relative to the Victorian Guide to Regulation.

## Nature and extent of the problem (refer to Section 3)

Hundreds of thousands of members of the Victorian community are directly involved in marine activities from time to time. These people and many others who engage in recreational activities in Victorian waterways are potentially affected by decisions made by persons operating powered vessels (vessels using or capable of using an engine for propulsion). If appropriate actions are not taken to mitigate risks associated with powered vessels, there is the potential for negative outcomes, including fatalities, injuries, property damage, and costs associated with search and rescue.

To reduce safety risks in the marine sector, the Government intervenes by regulating, providing infrastructure and educating user groups. The nature of these problems was already investigated, and the case was made to intervene as part of the development of the Marine Safety Regulations 2012. The Regulations will expire in June 2022.

While this RIS only deals with marine safety fees under Part 13 of the Marine Safety Regulations 2012, understanding the broader policy issues underlying the Regulations and interventions is important for consideration within the context of fees.

### Recreational marine sector in Victoria (refer to Section 3.1.1)

Interventions in the Regulations relating to recreational boating that are most relevant to the setting of fees are regulations to control:

* the registration and operation of powered recreational vessels,
* the licensing of masters of powered recreational vessels and regulated hire and drive vessels, and
* endorsements on marine licences for the operation of prescribed types of vessels.

The Regulations also provide for the accreditation of training providers, although no fees have been set for accredited training providers.

The Marine Safety Act requires all recreational vessels, unless exempted, to be registered when operating in State waters. Effectively all powered recreational vessels must be registered. There are 197,758 registered recreational vessels in Victoria as at 15 December 2020.

The Marine Safety Act requires all masters of registered recreational vessels to hold a marine licence. In addition, personal watercrafts (PWCs) are a prescribed class of vessel by which the master must hold a licence endorsement. Operators of unregistered vessels are not required to hold a marine licence.

A total of 424,401 Victorian recreational marine licences are on issue as at 15 December 2020. A majority of these licence holders (269,674 of 424,401 licences) have obtained a PWC endorsement on their licence, representing 63.5 per cent of all marine licences. As PWCs make up 12.5 per cent of all registered vessels in Victoria, DoT considers there is an ‘opportunistic’ element to applications for PWC endorsements.

Accredited training providers (ATPs) provide training courses and assessment services to boaters to obtain a marine licence and PWC endorsement. The system of accredited training providers is established in regulation and is overseen by TSV. There are 20 ATPs in Victoria as at 1 January 2021.

### Commercial marine sector in Victoria (refer to Section 3.1.2)

While domestic commercial vessels (vessels used for commercial purposes solely within domestic waters) are regulated by the Australian Maritime Safety Authority (AMSA), TSV have a role in regulating specific commercial qualifications to address localised risks in that commercial sector. TSV’s regulatory responsibilities in the commercial maritime sector relate to local knowledge certificates, pilotage, and port management.

Currently, the Regulations provide for the following fees for commercial-related qualifications:

* providing for the issue or renewal of a certificate of local knowledge,
* providing for the registration of pilotage service providers and the licensing of pilots, and
* providing an exemption to the requirement to use pilots in declared parts of State waters.

Commercial-related activities covered by the Marine Safety Act relevant for consideration in this RIS which currently do not have fees attached include:

* the requirement for port management bodies to engage harbour masters,
* the licensing of persons to act as harbour masters, and
* the authorisation of persons to act as assistant harbour masters.

Domestic commercial vessel masters are required to hold a local knowledge certificate where the risks in certain waters, due to local conditions, are sufficient to justify additional permissioning requirements. There are currently 212 local knowledge certificates on issue.

Compulsory pilotage mandates that a vessel engage a marine pilot with expert local knowledge when navigating in a declared area of water. The pilot assumes conduct of the vessel’s navigation but not its command, which remains with the master. Currently there are four commercial trading ports declared as compulsory pilotage waters in Victoria.

Pilotage service providers are responsible for piloting vessels in declared waters where compulsory pilotage applies. Pilotage service providers are required to be registered with the Safety Director. There are three pilotage service providers registered in Victoria.

Pilotage service providers must employ licensed pilots to guide ships into and out of port waters to ensure the safety of a ship's passage within the port waters of Victoria. Licensed pilots must be employed or engaged by a pilotage service provider in order to provide pilotage services. There are 52 pilot licences on issue to pilots.

A master of a vessel may apply to the Safety Director for a pilot exemption certificate (PEC) to be exempt from the requirement to use the services of a pilot in pilot required waters. There are 90 PECs on issue to vessel masters.

Port management bodies manage commercial ports declared as pilotage waters in Victoria. Port management bodies are required to ensure that a licensed harbour master is engaged for the port and is engaged to make decisions in respect of the port waters for which the licence is issued.

There are currently five port management bodies that engage five licensed harbour masters.

### General principles of cost recovery (refer to Section 3.2)

The costs of administering and enforcing regulation are borne by the government and its agencies. In the context of marine safety, the government intervenes by regulating recreational boaters and those involved in commercial shipping operations. The fees prescribed in regulations aim to recover costs from those that give rise to the need for them.

As stated in the *Victorian Guide to Regulation*, general government policy is that regulatory fees should be set on a full cost recovery basis because it ensures that both efficiency and equity objectives are met. Cost recovery through specific fees and charges is appropriate when government services are directly attributed to a regulated party. By contrast, if a law has a general beneficial effect for all, then there is generally no attempt to directly recover costs from those that give rise to the need for regulations.

There may be circumstances in which fees should be set at levels entailing subsidies (i.e. less than full-cost recovery). This may occur, for example, where the risks or harms associated with the activity are not fully restricted to the entity being charged the fee. There may also be circumstances where fees and charges are set to over-recover the costs of the regulation. This approach could be used to act as a disincentive to address undesirable behaviours.

DoT considers it appropriate to attribute the costs of marine safety regulatory services to the regulated parties. Marine licence holders and vessel owners are subject to regulatory interventions under the Marine Safety Act and the Regulations.

### Better Boating Fund (refer to Section 3.3)

Amendments to the Marine Safety Act in late 2020 provided for the establishment of a Better Boating Fund. The Better Boating Fund was a Government commitment to ensure that all revenue that is raised from marine licences and vessel registration is returned to the recreational boating sector. Legislative amendments allow expenditure from the Better Boating Fund be paid out to improve conditions of recreational facilities and marine safety. The Better Boating Fund will commence on 1 July 2021.

The amendments also provide that fees can be set (or maintained) at a level that generates revenue over and above the cost of administering the regulatory scheme. In practice, it is intended that the revenue that is paid out of the Fund be directed to the costs of regulating the recreational boating sector, the state government costs of funding the marine search and rescue function, and priority infrastructure and facilities investments.

The regulatory fees set and the regulatory costs and operational costs will determine the budget funding envelope for priority infrastructure and facilities investments. These infrastructure and facilities investments are intended to be prioritised through a process of consultation with the public through the Victorian Recreational Boating Strategy. The development of the Strategy is still underway and the set of priority investments to be funded from the Better Boating Fund is yet to be determined.

### Revenue from current marine safety regulatory fees (refer to section 3.4)

##### Recreational marine revenue

The marine licence and vessel registration fees charged by VicRoads to the general public are the fees prescribed in Part 13 of the Regulations for licensing and registration.

Overall, revenue attributable to the recreational boating section for the 2019-20 financial year is approximately $31 million.

Total revenue attributable to licensing fees is approximately $16.6 million and total revenue attributable to all registration related fees (fees from the Boating Facilities and Safety Education fee and other registration related fees) is approximately $14.4 million during the 2019-20 financial year.

Out of the $14.4 million revenue generated from vessel registration related fees in 2019-20, the majority of revenue is generated by the Boating Facilities and Safety Education fee (the BFSE fee), which funds the boating facilities and safety program. In the 2019-20 financial year, the BFSE fee generated around $14.1 million in revenue. The BFSE fee is only a fee that is paid at the time of registration of a vessel – it is not a fee charged to recover the costs of regulation or the administration of the vessel registration scheme.

The allocation of funding from revenue raised from the BFSE fee has been the product of a grants system. Based on applications received and recommendations made by DoT, the Minister for Fishing and Boating determined what grants were issued from a discretionary program of $5 million.

In the past, any additional revenue generated by the BFSE fee *over* the amount allocated for the boating safety and facilities grants program (currently set at $5 million) was directed to the Government consolidated revenue account. Under future arrangements, the full amount of the BFSE fee will be directed into the Better Boating Fund to make funding available to fund boating projects.

##### Commercial marine revenue

There are fees charged by TSV in relation to transactions for commercial qualifications and permissions and the administration and regulation of those qualifications and permissions.

Current revenue from the commercial boating sector is derived from fees related to local knowledge certificates and pilotage for commercial vessel masters and are specified in Part 13 of the Regulations. In 2019, revenue from local knowledge certificates, pilot licences, pilot exemptions and registration of pilotage service providers totalled $52,690.

### Estimating the efficient costs of marine safety activities (refer to Section 3.5)

##### Transport Safety Victoria

The Marine Safety Branch administers the Marine Safety Act and the Regulations and is supported by general corporate branches providing policy, legal and corporate support to the Marine Safety Branch.

DoT has estimated costs that are attributable to recreational boating regulation and those costs that are attributable to the regulation of the commercial ports and shipping sector (other than domestic commercial vessels). Revenues collected from the ports and shipping sector fees will not be directed to the Better Boating Fund.

The total estimated costs incurred by TSV in the process of undertaking marine safety regulation under the Marine Safety Act and the Regulations is approximately $10.6 million in 2019-20.

This includes payments of $6.5 million to VicRoads for services provided by VicRoads in relation to administering recreational marine licences and vessel registration. Fees charged by VicRoads to TSV for its services are set out in Schedule 4 to *Transport Safety Victoria – VicRoads Service Level Agreement*.

The remainder of the costs (approximately $4.1 million) are regulatory costs based on TSV activities. TSV conducts several activities in relation to marine safety regulation. These activities are based on the requirements of the Marine Safety Act and the Regulations. These activities include activities in relation to:

* recreational vessels
* local knowledge certificates
* pilotage and pilot exemptions
* port safety
* waterway and navigational safety
* certification support
* corporate management
* other activities.

Of the approximately $4.1 million in regulatory costs based on TSV activities, $3.0 million is attributable to the recreational sector.

DoT has calculated these cost estimates based on an estimate of the proportion of time spent by TSV for each activity and the proportion of each activity TSV attributes to recreational boating versus commercial sector regulation.

##### Emergency Management Victoria

Emergency Management Victoria (EMV) is responsible for Marine Search and Rescue (MSAR) units across the State. MSAR units ensure boater safety by responding to emergency call-outs from Victorian boaters in need of assistance.

While the MSAR rescue crews are made up entirely of dedicated volunteers, funds are needed to support the MSAR unit offices, MSAR rescue units, provide for new rescue vessels, and assist with implementation of MSAR reforms.

On this basis, DoT estimates that approximately $1.9 million of EMV costs are attributable to the recreational sector. EMV’s costs to deliver the MSAR function include operating costs for training, insurance provided to MSAR units, asset management and procurement, and agreement administration, as well as a total of $1.068m of grants provided by EMV to MSAR units for 2020-21. Grants are allocated to cover a range of MSAR’s operating costs, such as the costs of fuel for MSAR vessels to execute search and rescue operations, maintenance and minor capital costs for MSAR unit vessels and equipment, training costs and administrative costs.

##### Summary of costs

DoT estimates that costs related to the administration of the recreational marine sector is approximately $11.4 million per annum and costs related to the administration of the commercial marine sector is approximately $1.1 million per annum.

### Assessing the efficiency of regulatory costs (refer to Section 3.6)

As part of the process of developing this RIS, DoT conducted analysis of the efficiency of costs of administering marine safety services in Victoria. These costs are included in the cost base to be recovered through fees.

DoT has identified some factors which would suggest that the regulatory cost base is not entirely efficient and may change in future years. For this reason, DoT considers options in relation to setting fees to seek the public’s views and feedback on different fee models.

In order to ensure that the costs of the regulator are efficient, TSV could seek options to reduce its costs and improve efficiency. This includes:

* reducing corporate costs
* testing the market for registration and licensing services.

### Effect of revenue and costs on the Better Boating Fund (refer to Section 3.7)

The overall regulatory and operational costs attributable to the recreational boating section in 2019-20 is estimated at $11.4 million per annum. The revenue recovered in 2019-20 from the recreational boating sector under the Marine Safety Regulations is $31 million per annum. This means the amount currently available for spending under the Victorian Recreational Boating Strategy for priority infrastructure and facilities investments is estimated to be $19.6 million per annum.

## Objectives (refer to Section 4)

In making the proposed regulations to set regulatory fees, DoT’s overarching objective is to efficiently and equitably recover the costs of regulating marine safety laws, to minimise any negative impact of regulatory fees on safety, small businesses and participation, and to raise funds for the purposes of funding capital and infrastructure investments.

## The base case (refer to Section 5)

When assessing the merits of any options identified to meet the objectives of prescribing regulatory fees, the options need to be compared to the base case, which is typically a scenario where there are no regulations in place.

In relation to marine safety fees, under a base case of no regulations, there would be no fee regulations and therefore no revenue raised from either the recreational boating sector or the commercial ports and shipping sector. DoT would expect that at least some level of marine safety regulation would continue and TSV would continue to be funded to some level. However, there may be an impact on the amount of funding provided to TSV. While there would continue to be a Better Boating Fund, no revenue would be paid into the Fund. This would have implications for the priority investments to be identified as part of the Victorian Recreational Boating Strategy.

## Identification of feasible options (refer to Section 6)

### Summary of high-level options (refer to Section 6.1)

DoT is considering three broad options:

* Option 1: retaining fees at current levels
* Option 2: restructuring some fees to ensure that the costs of marine safety regulation is fully recovered while maintaining funding for boating infrastructure
* Option 3: increasing fees to generate more funding for facilities and infrastructure.

There are other options which DoT does not explore further. These include partial cost recovery and setting fees such that only the costs of regulation are fully recovered.

##### Option 1: Remake prescribed fees without change

Option 1 keeps the status quo – the level of fee units specified for each and every defined fee would remain unchanged. Under this option there would be $19.6 million per annum in revenue available for discretionary spending on priority capital and infrastructure investments.

##### Option 2: Restructure fees to achieve full cost recovery for individual marine safety regulatory activities

Option 2 would involve setting new fees and amending existing fees to better reflect the costs incurred by regulators in undertaking various activities related to marine safety laws. By introducing new fees and amending existing fees, a more efficient and equitable fee structure should be achieved and there should be a closer alignment and more transparent relationship between fees charged and costs incurred.

##### Option 3: Increase fees to generate more funding for future priority boating investments

Option 3 considers an increase in fees to generate more funding. With the establishment of the Better Boating Fund, fee revenue from marine licensing and vessel registration may be used for boating safety initiatives or to improve infrastructure for boating facilities. This option does not include a restructure of fees to achieve full cost recovery in aggregate.

There are sub-options for further analysis and consideration:

* Increase all fees to generate an additional $1 million, $5 million and $10 million
* Increase PWC-related fees.

### Consideration of sub-options for Option Two – restructuring fees (refer to Section 6.2)

In implementing Option 2 (restructuring fees) DoT considered a range of sub-options. These relate to:

* Option 2a: Introducing a vessel registration fee, in addition to the BFSE fee, to recover the costs of administration of vessel registrations
* Option 2b: Varying the BFSE fee (and a vessel registration fee if sub-option implemented) by a factor other than the size of the vessel
* Option 2c: New fees to recover the costs of administration of commercial qualifications (harbour masters, pilotage service providers, accredited training providers).

##### Option 2a: Recovering the costs of administration for vessel registrations

Under this sub-option, a new fee would be introduced to recover the administration costs associated with vessel registration. To ensure that vessel owners are not worse off, DoT could consider adjusting the BFSE fee (which would be retained) so that the BFSE fee is reduced by an amount that is equivalent to the new vessel registration fee. This would mean that a vessel owner would pay the same amount on registration as they currently do (subject to the regular indexation of fees). This option would make the costs of administering the vessel registration scheme more transparent but not affect the total amount paid by vessel owners.

Under this sub-option, DoT considered introducing a vessel registration fee of $6.72 (equivalent to 0.45 fee units) and reducing the BFSE fee by 0.45 fee units.

##### Option 2b: Varying the BFSE fee by a factor other than the size of the vessel

At present, the BFSE fee that is collected when vessels are registered is varied depending on whether vessels are greater than, or less than, 4 metres in length. There may be other fee structures available that better achieves the objectives of the exercise.

Overall, DoT considers that there is merit in continuing with the current two-tiered fee structure for registering boats of either under or over 4 metres in length. DoT and TSV may conduct further research to collect data on how different boats of different sizes and classes are using boating facilities in Victoria – this may inform possible future changes to the current structure of the BFSE fee or a separate vessel registration fee.

##### Option 2c: New fees to recover the costs of administration of commercial qualifications

The current Marine Safety Regulations set fees with respect to local knowledge certificates, pilotage, pilot exemptions and pilotage service providers. There is also an opportunity to look at cost recovery arrangements for these commercial qualifications. There is an option to consider setting, for example, annual fees for these regulatory permissions.

There are other commercial qualifications where there is no cost recovery, such accredited training provider and harbour masters. There is also an option in setting annual fees to recover the costs associated with the regulation other than the costs associated with assessing an application.

Overall, DoT has formed an opinion that it would be more equitable to charge any fees on a directly attributed cost basis. DoT considers it is a more equitable and efficient option than the status quo overall.

### Consideration of sub-options for Option Three – increase fees to generate more funding for priority investments (refer to Section 6.3)

One of the objectives of setting regulatory fees is to ensure there is funding for priority boating capital and infrastructure investments. There are several ways in which marine licensing and vessel registration fees could be adjusted or increased to generate more revenue to go into the Better Boating Fund.

In implementing Option 3 (increasing fees to generate more funding) there are two sub-options that DoT has considered. These are:

* Option 3a: Increase all fees to achieve targeted aggregate increase in revenue
* Option 3b: Increase aggregate revenue by increasing PWC-related fees.

Another option, which is not further considered in detail, is to only increase the BFSE fee (and not adjust the marine licence fee), as the primary purpose of that fee is to raise revenue for facilities and safety education.

##### Option 3a: Increase all fees to achieve targeted aggregate increase in revenue

In this sub-option, DoT considers the effects of applying a proportionate equal increase across all marine licensing and BFSE fees. DoT considered the sub-options of increasing these fees in order to generate an additional $1 million, $5 million, and $10 million. DoT considers that increases to marine licensing and endorsement fees or the BFSE fee may be the best way of implementing an increase in revenue.

Analysis by DoT shows that in order to achieve increases in revenue in the order of $1 million, the fees must rise by 2.9 per cent. Similarly, in order to raise an additional $5 million and $10 million, marine licence fees and the BFSE fee must increase by 14.4 per cent and 29.5 per cent, respectively.

##### Option 3b: Increase PWC-related fees

Under this option, DoT has considered increasing fees for PWC-related registration and endorsements to increase aggregate revenue.

DoT assesses the merits of increasing fees in relation to PWCs as there may be a case to consider increases in PWC endorsement fees or registration fees because there is significantly more compliance monitoring and enforcement in relation to PWCs compared to other vessels. This option is a targeted approach to increasing revenue paid into the Better Boating Fund.

Two sub-options are considered under Option 3b.

Sub-option 1 considers increasing PWC endorsement fees by 100 per cent (i.e. doubling the PWC endorsement fee). This fee increase would affect all people that are licensed to operate a PWC regardless of whether they own or use a PWC. Analysis by DoT estimates a doubling of the PWC endorsement fees would increase aggregate revenue by $1.6 million per annum.

Sub-option 2 considers introducing a separate BFSE fee upon the registration of a PWC vessel. This fee would be a separate category to the other categories of BFSE fees payable upon vessel registration. This fee increase would affect all PWC owners. A new fee of 5.8 fee units ($85.90) per year is estimated to increase aggregate revenue by $1 million per annum. This fee would be double the current fee most PWC owners currently pay upon registration (since the majority of PWC vessels are less than 4m in length).

## Impact assessment (refer to Section 7)

DoT employed a multi-criteria analysis to assess the various options against the base case. In undertaking the analysis DoT has had regard to the following objectives:

* efficiency
* equity
* compliance and safety
* small business and participation
* funding priority capital and infrastructure investments
* feasibility.

Based on the analysis, the option which best promotes efficiency, compliance and safety, small business and participation, funding priority and is the most feasible is Option 1. Option 1 (status quo) is the preferred option at this stage and is included as part of the draft regulations.

While Option 2 results in more efficient and equitable outcomes than Option 1, DoT is seeking feedback on any possible transition to restructure fees to achieve full cost recovery before any changes are made to fees.

The level of fee increases to generate more funding is dependent on the desired level of funding for boating investments (Option 3a). As investment priorities are yet to be determined, the additional aggregate amount of revenue that is needed is also unknown. For this reason, DoT is not recommending any fees increases at this stage.

## Preferred option (refer to Section 8)

DoT is proposing to remake Part 13 of the Marine Safety Regulations. These draft regulations are available for public comment and the public is invited to make a written submission to provide DoT with feedback.

DoT is proposing there be no change to recreational marine licence and vessel registration fees. Similarly, DoT is proposing there be no change to the commercial qualification fees.

Refer to Table 8-1 for the proposed recreational fees and Table 8-2 for the proposed commercial qualification fees.

DoT does not expect that the preferred option will have an impact on small business in relation to the recreational boating sector. The regulatory fees are expected to have minimal impact on small business in the commercial ports and shipping sector.

## Implementation, Evaluation and Consultation (refer to Sections 9, 10, and 11)

Subject to the outcomes of consultation, it is intended that the new fee regulations will come into effect from 1 July 2021. The proposed new fees will be a continuation of the current regulatory fees. As such no changes to VicRoads’ system nor TSV’s system would be required.

TSV and VicRoads will all play roles in ensuring that the prescribed fees are adequately communicated to marine stakeholders. The objective is to ensure that all stakeholders are adequately informed of the decision arising out of the remake of the fee regulations.

The proposed regulations do not change the scope of matters the regulator, TSV, and other enforcement agencies are responsible for administering or enforcing. Given this, it is not anticipated that the approach to be taken to implementation will differ significantly from current practices.

DoT will be the organisation to conduct an evaluation of the fee regulations. DoT will review the fee regulations before the sunset date of the proposed regulations (i.e. after ten years of operation). This review will commence approximately 12 to 18 months before the expiry of the regulations.

In addition to this review, DoT will be monitoring outcomes as part of mandatory reporting for the Better Boating Fund. The first report will be prepared 12 months after the commencement of the Fund (1 July 2021). If there are any significant issues identified as part of that report, DoT may conduct an evaluation of the regulatory fees to assess whether the objectives are being met and whether alternative approaches should be adopted.

Key performance indicators as part of an evaluation of the proposed fee regulations will include aggregate levels of costs incurred by TSV and EMV, any change in the costs incurred by the relevant organisations, number of transactions conducted or processed by TSV or VicRoads, aggregate fee revenue and safety outcomes of the recreational and ports and shipping sector.

Baseline data used to inform the preparation of the RIS was drawn from a number of sources including financial records from TSV and EMV, transactional and industry data from TSV, as well as data held by VicRoads in relation to registration and licensing.

To inform whether annual revenues continue to offset aggregate annual costs, data is needed to assess the relationship between prescribed fees under the Regulations and marine safety services delivered by government regulators. This data will be derived from DoT and TSV financial records, VicRoads licensing and vessel registration database and an assessment of the amount of resources which can be attributed to administering transactions and overseeing and auditing the various activities under the Regulations. Data collected for the purposes of mandatory reporting will also be utilised by DoT to inform its evaluation of the regulatory fees. The baseline year for assessing this performance indicator is 2019-20 (as per the analysis in this RIS).

To inform possible future changes to the current structure of the BFSE fee or a vessel registration fee DoT plans to conduct further research to collect current data on how different boats of different sizes and classes are using boating facilities in Victoria. In addition, DoT will work with TSV to periodically examine the cost base for the regulatory activities which relate to the prescribed fees. As part of this process, it will be important to examine whether the cost base for activities is efficient, which would translate into lower fees where appropriate. DoT and TSV are also seeking to establish improved access to emergency presentations and hospital admissions data. Injury and incident data, while not directly informing the level at which fees are set, indirectly impacts prescribed fees by providing feedback to regulators on the size and nature of the residual safety problem to be addressed, and on the effectiveness of their regulatory interventions.

A range of consultation has been undertaken as part of the development of the proposed fee regulations. Consultation was undertaken with representative groups as part of the passage of the Bill to implement the Better Boating Fund through Parliament.

To further understand Victoria’s boating priorities for facilities and infrastructure investment, the Minister for Fishing and Boating established the Ministerial Boating Round Table with representatives from across government and the boating sector. Sector representatives includes those from the angling, watersports, sailing and personal watercraft communities, as well as the boating industry, marine search and rescue, boating facility managers, boat ramp user, waterway manager and local government. This consultation also consisted of face-to-face drop-in consultations session across regional Victoria in early 2021, supported by an online survey.

## Stakeholder Questions

Do you support the continuation of the structure of Boating Facilities and Safety Education fee? If not, why? What is your preferred approach?

Do you agree that the range of feasible high-level options have been identified for consideration? If not, what other options should be considered?

Do you support the assessment of options in the multi-criteria analysis? If not, why? How would you score and weight each criterion for each option presented?

Do you agree that maintaining the current structure and level of cost recovery – as under Option 1 – is the best option? If not, why? What is your preferred option?

Option 2 proposes to restructure fees to achieve full cost recovery for marine safety regulatory activities. If Option 2 were adopted, how should the transition to restructure fees to achieve full cost recovery be achieved?

If Option 2 were adopted, how could fees be varied between commercial qualifications to reduce impacts on small business and participation?

Option 3a proposes to increase all recreational marine licensing and vessel registration fees to generate more funding for boating facilities. Do you think this option is appropriate for increasing revenue? If so, how much extra revenue do you think this option should raise?

Option 3b proposes to increase PWC-related fees. Do you think this option is appropriate for increasing revenue? Do you have a preferred sub-option to raise PWC-related fees?

# Background

## Introduction

Through regulation, government has a role in promoting safe marine operations in Victoria, both in the commercial and recreational marine sectors.

The Department of Transport (DoT) advises the Minister for Fishing and Boating on recreational marine safety issues.

The aim of DoT is to facilitate the sustainable development of the Victorian economy and grow employment. DoT has the responsibility to plan and oversee the delivery of infrastructure and services that form Victoria’s transport system. This includes developing regulatory policy and providing strategic policy advice to the Minister for Fishing and Boating.

DoT has prepared this Regulatory Impact Statement (RIS) to inform consideration of the exposure draft of the regulations that are proposed to replace the fees component of the Marine Safety Regulations 2012 (Part 13), which expire on 8 July 2021.

These regulatory fees are important because the revenue raised from marine licensing and vessel registrations are to be paid into the Better Boating Fund, which is a legislated Trust Account dedicated to improving boating safety and facilities. Further information on the Better Boating Fund and its interaction with regulatory fees in provided in Section 3.3 of this RIS.

DoT has prepared this RIS with information and assistance from Transport Safety Victoria (TSV) and Emergency Management Victoria (EMV).

TSV is Victoria's integrated safety regulator for bus and maritime operations. TSV is led by the Director, Transport Safety (the Safety Director) whose statutory object is to independently seek the highest transport safety standards that are reasonably practicable, consistent with the transport system's vision and objectives under the *Transport Integration Act 2010*. This is achieved through administering bus and maritime legislation that promotes transport safety outcomes in Victoria. Maritime Safety Victoria (MSV) is the maritime unit of TSV.

EMV plays a key role in implementing the Victorian Government’s emergency management reform agenda. EMV is responsible for Marine Search and Rescue (MSAR) units across the State, which are responsible for ensuring boater safety to responding to emergency call-outs from Victorian boaters in need of assistance.

The release of this RIS and the exposure draft of the proposed fee regulations provides an opportunity for a broader range of stakeholders, including recreational boaters, personal watercraft users, and the general public, to have their say on the level and structure of the fees.

## Regulating marine safety

The primary statute governing marine safety matters in Victoria is the *Marine Safety Act 2010*.

The purpose of the Marine Safety Act is to ‘provide for safe marine operations’ in Victoria which includes providing for the safe operation of vessels and for the safety of marine safety infrastructure and operations involving its use. The Act provides for safety by (among other things):

* imposing a range of safety duties on –
	+ owners, managers, designers, manufacturers, suppliers of vessels, marine safety infrastructure and marine safety equipment,
	+ marine safety workers,
	+ masters and users of recreational vessels, and
	+ passengers on vessels,
* providing for the registration of vessels,
* providing for the licensing of masters of recreational vessels and hire and drive vessels,
* providing for the regulation and management of the use of, and navigation of vessels on, State waters,
* requiring port management bodies to engage harbour masters and providing for the licensing of persons to act as harbour masters and the authorisation of persons to act as assistant harbour masters,
* providing for the registration of pilotage service providers and the licensing of pilots, and
* requiring the use of pilots in declared parts of State waters.

The Marine Safety Regulations 2012 (‘the Regulations’) support the implementation of the Marine Safety Act. The objectives of the Regulations are to provide for safe marine operations in Victoria by making provisions in relation to:

* the registration and operation of recreational vessels,
* the licensing of masters of recreational vessels and regulated hire and drive vessels and endorsements on marine licences, and
* the prescription of various other matters for the purposes of the Marine Safety Act.

## Scope of the RIS

The scope of this RIS will be to review the expiring fee regulations in Part 13 of the Marine Safety Regulations 2012 and identify and assess regulatory options for public consideration and comment. Regulation 180 states that the regulations contained in Part 13 (i.e. the regulations which prescribe fees) will expire on 8 July 2021.

## Requirements of the Subordinate Legislation Act 1994

This RIS has been prepared in accordance with requirements of the *Subordinate Legislation Act 1994* and the Victorian Guide to Regulation.

The Commissioner for Better Regulation is responsible for providing independent advice and reviewing the adequacy of RISs for public consultation purposes. Better Regulation Victoria (BRV) supports the Commissioner for Better Regulation and makes its assessment of adequacy relative to the Victorian Guide to Regulation.

## Structure of the RIS

Section 3 provides an analysis of the nature and extent of problems that the proposed fee regulations are aiming to address

Section 4 states the objectives of the proposed fee regulations

Section 5 details the base case

Section 6 identifies the various options available to address problems

Section 7 assesses the benefits and costs of short-listed options

Section 8 details the preferred option, including the impact of the proposed fee regulation on competition and small business

Section 9 explains the proposed approach to implementation and enforcement strategy

Section 10 specifies the evaluation strategy

Section 11 details the consultation undertaken for the RIS

## How you can have your say

You are invited to make comments on the RIS and the proposed fee regulations.

Submissions may present analysis of alternative options and recommend changes to the proposed regulations.

Submissions are required to be made in writing and submitted on [Engage Victoria](https://engage.vic.gov.au/).

Submissions must be provided on or before 10 June 2021.

Please note that all submissions will be treated as public information unless you request otherwise.

You should be aware that all submissions are subject to the *Freedom of Information Act 1982*.

Personal information may be used to contact you regarding your submission and the outcomes of the consultation. Please clearly state in your submission if you do not wish for this to occur.

# Nature and extent of the problem

## Risks associated with marine activities

Hundreds of thousands of members of the Victorian community are directly involved in marine activities from time to time. All of these people, plus the many others who swim or engage in other recreational activities in Victorian waterways, are potentially affected by decisions made by persons operating powered vessels.

If a master of a vessel that uses (or is capable of using) an engine for propulsion (‘powered vessels’) is not sufficiently aware of the risks associated with the operation of their vessel, and do not take appropriate actions to mitigate those risks (i.e. operate their vessel in a safe manner), there is the potential for negative outcomes. These outcomes include fatalities, injuries, property damage, and costs associated with search and rescue. Refer to Table 3-1 for a list of the type of recreational vessels that are considered powered vessels.

To reduce safety risks in the marine sector, the Government intervenes by regulating, providing infrastructure and educating user groups. This intervention is intended to:

* prompt the attainment and maintenance of knowledge and skills that are required,
* coordinate decision making through rules relating to safe navigation, and
* provide public confidence and assurance that masters of powered vessels have sufficient competence to operate their vessels in a manner that is safe to them, their passengers, and all other users of Victorian waterways.

The nature of these problems was already investigated, and the case was made to intervene as part of the development of the Marine Safety Regulations 2012. The Marine Safety Regulations will expire in June 2022. DoT has commenced the process of reviewing the Regulations during 2021 to confirm the ongoing need for the Regulations.

The purpose of the Marine Safety Act is to provide for safe marine operations in Victoria. The Regulations have the same purpose as the Act and are made where necessary to give effect to the Act. The desired effect of the Regulations is to reduce the risk of negative outcomes arising from recreational marine activities and provide for safe marine operations in Victoria.

While this RIS only deals with marine safety fees under Part 13 of the Marine Safety Regulations 2012, this section briefly discusses the broader policy issues underlying the Marine Safety Regulations and interventions in the Regulations. This is important for consideration within the context of fees.

### Recreational marine sector in Victoria

The recreational vessel sector is extremely diverse and includes fishing, yachting, motor cruising, towed water sports, the use of human powered craft such as canoes, kayaks, rafts, rowing skulls and wind powered activities such as wind surfing and kite surfing.

Some of the interventions in the Regulations relating to recreational boating that are most relevant to the setting of fees are regulations to control:

* the registration and operation of powered recreational vessels,
* the licensing of masters of powered recreational vessels and regulated hire and drive vessels, and
* endorsements on marine licences for the operation of prescribed types of vessels.

The Regulations also provide for the accreditation of training providers in relation to marine licences and endorsements. Currently, the Regulations do not provide for fees for accredited training providers.

#### Registered vessels

The Marine Safety Act requires all recreational vessels, unless exempted, to be registered when operating in State waters. Vessels exempted from registration under the Regulations include:

* vessels that do not have an engine or motor that can propel it,
* domestic commercial vessels (as these vessels are regulated under a national scheme), and
* certain vessels temporarily being operated in State waters.

This essentially means that all powered recreational vessels must be registered. Table 3-1 shows that of the vessel types which are required to be registered, there are 197,758 registered recreational vessels in Victoria as at 15 December 2020.

Table 3-1: Vessels registered in Victoria shown by vessel type and vessel length as at 15 December 2020

|  |  |  |  |
| --- | --- | --- | --- |
| **Vessel type** | **Over 4 metres** | **4 metres and under** | **All lengths** |
| Cabin cruiser | 5,867  | 38  | 5,905  |
| Canoe | 60  | 107  | 167  |
| Half cabin | 28,404  | 305  | 28,709  |
| Houseboat | 725  | 5  | 730  |
| Hovercraft | 184  | 650  | 834  |
| Open | 76,333  | 55,504  | 131,836  |
| Personal watercraft (PWC) | 404  | 24,283  | 24,687  |
| Trailer sailer | 2,064  | 38  | 2,102  |
| Yacht (keel boat) | 2,761  | 72  | 2,788  |
| **Total** | **116,802**  | **81,002**  | **197,758**  |

(Source: TSV)

There are no periodic checks on whether recreational vessels are fit to be used for their intended purpose. Instead, random inspections are carried out by transport safety officers. A range of enforcement actions can be taken if vessels are found to be unsafe (e.g. vessel can be detained, or embargo notice may be issued) or not fit for purpose (infringement notices may be issued). Masters of registered recreational vessels are required to be licensed, but only a knowledge test is required to be passed before licences are issued, with an additional knowledge test to obtain a PWC endorsement.

#### Marine licences and licence endorsements

The Marine Safety Act requires all masters of registered recreational vessels to hold a marine licence. In addition, masters of a prescribed class or type of registered recreational vessel must hold a licence endorsement for that class or type of vessel. Currently, only personal watercrafts (PWCs)[[1]](#footnote-2) are a prescribed class of registered recreational vessel. Operators of unregistered vessels are not required to hold a marine licence. This includes vessels that do not have an engine that can propel it.

Table 3-2 below breaks down the number of marine licence holders and the number of PWC licence endorsements in Victoria as at 15 December 2020.

Table 3-2: Victorian recreational marine licences and PWC endorsements on issue as at 15 December 2020

|  |  |
| --- | --- |
| **Licence type** | **Number on issue**  |
| Full licence with PWC endorsement | 268,970 |
| Restricted licence with PWC endorsement | 704 |
| **Total PWC endorsements on issue** | **269,674** |
| Full marine licence (no endorsement) | 151,547 |
| Restricted marine licence (no endorsement) | 3,180 |
| **Total licences with no endorsement on issue** | **154,727** |
| **Total** | **424,401** |

(Source: TSV)

Table 3-2 above shows that there are a majority of current licence holders (269,674 of 424,401 licences) who have obtained a PWC endorsement on their licence – 63.5 per cent of all licences have a PWC endorsement.

PWCs are required to be registered. As shown in Table 3-1**,** PWCs only made up 12.5 per cent (24,687 registered PWCs out of a total of 197,758 registered vessels) of the Victorian registered recreational vessel fleet (as at 15 December 2020), but 63.5 per cent of licence holders have obtained PWC endorsements. This shows that there is an ‘opportunistic’ element to applications for PWC endorsements. Applicants clearly believe that it is in their interests to apply for a combined general marine licence and PWC endorsement in the one transaction, in preparation for the eventuality that they may wish to use a PWC in the future, or that multiple licence holders may share the use of a single PWC. This suggests that the cost of the endorsement at current levels has little effect on the volume of endorsement applications and transactions.

#### Accredited training providers

Accredited training providers (ATPs) provide an alternative pathway for boaters to obtain marine licences and PWC endorsements through training courses and assessment services. ATPs provide training to prospective marine licence holders and also enable those persons to sit the marine licence test. The system of accredited training providers is established in regulation and is overseen by TSV.

There are 20 ATPs in Victoria as at 1 January 2021.

### Commercial marine sector in Victoria

While domestic commercial vessels (vessels used for commercial purposes solely within domestic waters) are regulated by the Australian Maritime Safety Authority (AMSA), TSV have a role in regulating specific commercial qualifications to address localised risks in that commercial sector. TSV’s regulatory responsibilities in the commercial maritime sector relate to local knowledge certificates, pilotage, and port management.

Currently, the Regulations provide for the following fees for commercial-related qualifications:

* providing for the issue or renewal of a certificate of local knowledge,
* providing for the registration of pilotage service providers and the licensing of pilots, and
* providing an exemption to the requirement to use pilots in declared parts of State waters.

Commercial-related activities covered by the Marine Safety Act relevant for consideration in this RIS which currently do not have fees attached include:

* the requirement for port management bodies to engage harbour masters,
* the licensing of persons to act as harbour masters, and
* the authorisation of persons to act as assistant harbour masters.

#### Local knowledge certificates

Domestic commercial vessel masters are required to hold a local knowledge certificate where the risks in certain waters, due to local conditions, are sufficient to justify additional permissioning requirements.

The number of local knowledge certificates currently on issue by declared water is summarised below in Table 3-3.

Table 3-3: Number of local knowledge certificates currently on issue and examinations by declared water in 2019-20

|  |  |  |  |
| --- | --- | --- | --- |
| **Local knowledge code** | **Declared water** | **Numbers of certificates on issue** | **Number of local knowledge examinations (2019-20)** |
| LK 1\* | Apollo Bay | 0 | 0 |
| LK 2\* | Barwon Heads | 0 | 0 |
| LK 3 | Corner Inlet – Restricted to approaches to Corner Inlet and Barry Beach large vessels | 13 | 12 |
| LK 4 | Corner Inlet | 4 | 4 |
| LK 5 | Port Albert | 1 | 3 |
| LK 6 | Geelong | 18 | 7 |
| LK 7\* | Gippsland Lakes | 1 | 4 |
| LK 8 | Lakes Entrance Bar including the requirement for passenger vessels  | 0 | 9 |
| LK 9\* | Maribyrnong River - No.1 Maribyrnong Berth to Canning Street | 8 | 4 |
| LK 10\* | Port of Geelong | 3 | 8 |
| LK 11\* | Port of Melbourne | 17 | 17 |
| LK 12\* | Port of Port Fairy | 0 | 0 |
| LK 13\* | Port of Portland | 0 | 2 |
| LK 14\* | Port of Queenscliff and adjacent waters of Port Phillip Bay | 9 | 12 |
| LK 15 | Passenger operations through Port Phillip Heads | 35 | 13 |
| LK 16 | Port and ports of Port Phillip Bay (South) | 30 | 21 |
| LK 17\* | Warrnambool | 0 | 0 |
| LK 18 | Port and ports of Port Phillip Bay (North) | 26 | 17 |
| LK 19 | Yarra River | 20 | 10 |
| LK 20 | Westernport and Hastings (West Channel and East Arm) | 13 | 14 |
| LK 21 | Westernport (North Channel) | 12 | 11 |
| LK 22\* | Westernport (Eastern Waters) | 2 | 6 |
|  | **Total** | **212** | **174** |

(Source: TSV)

Note on Table 3-3:

1. A number of changes to certification requirements came into effect on 1 October 2020 as a result of a comprehensive state-wide review by TSV of the local knowledge framework. The changes include:
	1. the removal of local knowledge certificate requirements for some State waters deemed to be low risk due to improvements in navigational safety practices, technology, vessel design and capability (\*denotes the local knowledge codes that have been removed as a result of this review)
	2. the expansion of some certification areas to include waters deemed to be high risk such as waters adjacent to Port Phillip Heads and Lakes Entrance Bar
	3. a requirement by the applicant to attend the relevant port office for a new application and the renewal of an existing local knowledge certificate to increase the visibility of local knowledge certificate holders in port waters to the relevant harbour master.

#### Pilot licence, pilot exemptions and pilot service providers

Compulsory pilotage mandates that a vessel engage a marine pilot with expert local knowledge when navigating in a declared area of water. The pilot assumes conduct of the vessel’s navigation but not its command, which remains with the master.

Currently in Victoria, compulsory pilotage applies (unless otherwise exempted under certain conditions) to all vessels greater than 35 metres in length when operating in declared water areas. Currently there are four commercial trading ports declared as compulsory pilotage waters in Victoria:

* Port of Melbourne
* Port of Hastings
* Port of Geelong
* Port of Portland.

Pilotage service providers are responsible for piloting vessels in declared waters where compulsory pilotage applies. Pilotage service providers are required to be registered with the Safety Director. There are three pilotage service providers registered in Victoria as at 1 December 2020.

Pilotage service providers must employ licensed pilots to guide ships into and out of port waters to ensure the safety of a ship's passage within the port waters of Victoria. Licensed pilots must be employed or engaged by a pilotage service provider in order to provide pilotage services.

A master of a vessel may apply to the Safety Director for an exemption from the requirement to use the services of a pilot in pilot required waters. A pilot exemption certificate (PEC) may be issued to an applicant who is the master of a vessel that regularly visits any Victorian port with waters subject to pilotage requirements. In this case, the ‘pilot exempt master’ does not need to engage the services of a pilot to navigate the waters. So, the distinction between pilot licences and PECs is that pilot licences must be held by pilots who are engaged to assume the conduct of a vessel’s navigation in declared waters whereas PECs can be held by vessel masters who are in command of the vessel in declared waters. The number of pilot licences on issue to pilots and PECs on issue to vessel masters as at 15 December 2020 is summarised in Table 3-4 below.

Table 3-4: Number of pilot licences and pilot exemption certificates on issue as at 15 December 2020

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Declared water** | **Number of pilot licences on issue to pilots** | **Number of PECs on issue to vessel masters** |
| 1 | Port of Melbourne waters, Port of Hastings waters, declared port waters of the Port of Portland, and declared port waters of the Port of Geelong | 0 | 43 |
| 2 | Port of Melbourne waters, declared port waters of the Port of Portland, and declared port waters of the Port of Geelong | 0 | 0 |
| 3 | Port of Melbourne waters, Port of Hastings waters and declared port waters of the Port of Geelong | 0 | 0 |
| 4 | Port of Melbourne waters and declared port waters of the Port of Geelong | 35 | 6 |
| 5 | Port of Melbourne waters and Port of Hastings waters | 0 | 0 |
| 6 | Port of Melbourne waters and declared port waters of the Port of Portland | 0 | 0 |
| 7 | Declared port waters of the Port of Portland and Port of Hastings waters | 0 | 0 |
| 8 | Declared port waters of the port of Geelong and declared port waters of the Port of Portland | 0 | 0 |
| 9 | Port of Hastings waters and declared port waters of the Port of Portland | 0 | 0 |
| 10 | Port of Melbourne waters (both channels) | 0 | 0 |
| 11 | Port of Melbourne waters (one channel) | 7 | 37 |
| 12 | Declared port waters of the port of Geelong | 0 | 3 |
| 13 | Port of Hastings waters | 5 | 0 |
| 14 | Declared port waters of the port of Portland | 5 | 1 |
|  | **Total** | **52** | **90** |

(Source: TSV)

Each item in Table 3-4 represents the combination of declared waters that a pilot licence holder or pilot exempt master may operate. This is a reflection of the framework for examinations and the corresponding fee for each item under the Regulations (refer to Table 3-9 for the list of examination fees). A relatively high number of the pilot licences are issued for the Port of Melbourne and Port of Geelong (Item 4) because these two ports have historically been considered the default and most sought-after ports where a pilot of a vessel is required. The relatively high number of PEC’s in certain declared waters reflect the higher usage of the ports by vessel masters that are familiar with the route (and thus have sought exemption from pilotage services). For example, a high proportion of masters regularly travel between all ports within Victoria (Item 1) or use of the Port of Melbourne regularly (e.g. The Spirit of Tasmania, cargo shipping).

#### Port management bodies and harbour masters

Port management bodies manage commercial ports declared as pilotage waters in Victoria. Port management bodies are required to ensure that a licensed harbour master is engaged for the port and is engaged to make decisions in respect of the port waters for which the licence is issued.

There are currently five port management bodies that engage five licensed harbour masters.

## General principles of cost recovery

The costs of administering and enforcing regulation are borne by the government and its agencies. Such costs would be avoided if the regulated activity ceased. Accordingly, the incidence of these costs can be attributed to those participating in the activity.

The *Cost Recovery Guidelines 2013* issued by the Department of Treasury and Finance define cost recovery as:

“*the recuperation of the costs of government-provided or funded products, services, or activities that, at least in part, provide benefits to individuals, entities or groups, or reflect the costs their actions impose*.” (Page 5)*[[2]](#footnote-3)*

In practice, cost recovery involves setting and collecting fees or charges to cover the costs incurred in undertaking activities such as the administration of regulation, the provision by government of certain goods and services purchased by customers, or government measures in natural resource-based sectors and ecological services.

In the context of marine safety, there are safety risks associated with operating recreational marine vessels on the water or in relation to the provision of commercial shipping or other commercial activities on the water. In order to reduce safety risks, the government intervenes by regulating recreational boaters and those involved in commercial shipping operations. This intervention has costs associated with it, some of which are directly incurred by those regulated, i.e. recreational boaters and others are incurred by the government. The government costs are those that are incurred in the administration of regulation (registration, accreditation, monitoring compliance, investigations, enforcement activities etc.). The fees prescribed in regulations aim to recover costs from those that give rise to the need for them.

As stated in the *Victorian Guide to Regulation*, general government policy is that regulatory fees should be set on a full cost recovery basis because it ensures that both efficiency and equity objectives are met. Full cost represents the value of all the resources used or consumed in the provision of an output or activity. It includes all indirect costs (i.e. on-costs) and capital costs.

Cost recovery aims to ensure that, to the extent practicable and efficient, all efficient costs of necessary regulation are incorporated into the cost base and reflected in the ‘price signal’ to regulated parties. Cost recovery through specific fees and charges is appropriate when government services are directly attributed to a regulated party.

By contrast, if a law has a general beneficial effect for all, then there is generally no attempt to directly recover costs from those that give rise to the need for regulations. This is because the cost of regulation is not attributable to any particular activity (for which a fee could be attached) and because there is no particular person or group who benefits from the administration and enforcement of such laws – all Victorians are taken to benefit from this form of regulation.

This means that despite the general rule, full cost recovery may not always be the most appropriate basis for setting fees. There may be circumstances in which fees should be set at levels entailing subsidies (i.e. less than full-cost recovery). This may occur, for example, where the risks or harms associated with the activity are not fully restricted to the entity being charged the fee. This may be because:

* there are impediments to the entity passing on regulatory costs to the regulated party; or
* the affected parties of the regulation, at least in part, are not readily identifiable and so cannot be charged a proportion of the costs that can be attributed to them.

There may also be circumstances where fees and charges are set to over-recover the costs of the regulation. This approach could be used to act as a disincentive to address undesirable behaviours.

On the whole DoT considers it appropriate to attribute the costs of marine safety regulatory services to the regulated parties. Marine licence holders and vessel owners are subject to regulatory interventions under the Marine Safety Act and the Regulations.

## Better Boating Fund

Amendments to the Marine Safety Act in late 2020 provided for the establishment of a Better Boating Fund. The Better Boating Fund was a Government commitment to ensure that all revenue that is raised from marine licences and vessel registration is returned to the recreational boating sector, including improvements to conditions of recreational marine facilities (e.g. boat launching ramps) and marine safety.

The legislative amendments allow expenditure from the Better Boating Fund to be paid out to:

* provide and maintain boating facilities and related services
* boating safety, boating education and boating promotion programs
* the safe use of recreational vessels
* the safe use of state waters.

The Better Boating Fund will commence on 1 July 2021.

The amendments also specified that fees imposed by regulations made under that Act are not limited to an amount related to the cost of providing a service. Fees can be set (or maintained) at a level that generates revenue over and above the cost of administering the regulatory scheme (for example, above the direct cost of administering marine licensing requirements).

In practice, it is intended that the revenue that is paid out of the Fund be directed to:

* the costs of regulating the recreational boating sector incurred by TSV,
* the state government costs of funding the marine search and rescue function overseen by Emergency Management Victoria, and
* priority infrastructure and facilities investments as identified by the government.

The first two items of the above list must be funded through the Better Boating Fund. This means that the remaining money (i.e. the revenue of regulatory fees less regulatory and operational costs) can be directed to infrastructure and facilities investment. Therefore, the regulatory fees set and the regulatory costs and operational costs will determine the budget funding envelope for priority infrastructure and facilities investments.

These infrastructure and facilities investment are intended to be prioritised through a process of consultation with the public. The Victorian Recreational Boating Strategy (the Strategy) will inform how the Better Boating Fund will be allocated for these investments. The Minister for Fishing and Boating has established a Ministerial Boating Roundtable to assist with the planning and development of the Strategy. At this stage, the development of the Strategy is still underway and the set of priority investments to be funded from the Better Boating Fund is yet to be determined. Additionally, the funding requirements for those investments are not known at this point in time.

The practical consequence of establishing the Fund and developing a Strategy is that the fees may be set to recover costs related to capital improvements and maintenance activities for the recreational boating sector and not just the costs of regulation. This means that regulatory fees must be set at levels higher than the costs in order to generate funding for priority investments. In other words, the greater the aggregate fee revenue raised under the Regulations, the greater the budget envelope available for priorities identified under the Better Boating Fund strategy.

Note that revenue raised from marine licence, vessel registration and ports and shipping fees are currently directed to the Government consolidated fund account. This revenue is then directed towards a range of marine and recreational boating related expenditure. This includes the costs that TSV incurs in administering marine safety regulations in Victoria as well as the boating safety and facilities grants program. Section 3.4 summarises the revenues derived from the marine safety fees and section 3.5 outlines the nature and extent of the costs involved in or related to marine safety regulation.

From 1 July 2021, with the commencement of the Better Boating Fund, these financial arrangements will change. Revenue that relates to recreational boating (i.e. marine licensing and vessel registration) will be directed to the Fund. TSV costs attributable to regulating the recreational maritime sector will be paid out of the Fund, as will other sources of expenditure relating to recreational boating. Revenue from the regulation of the commercial sector (i.e. ports and shipping) will continue to be paid into Government consolidated fund account. TSV costs attributable to regulating the commercial maritime sector will continue to the funded out of consolidated revenue (and not the Better Boating Fund).

## Revenue from current marine safety regulatory fees

The Marine Safety Act empowers the Governor in Council to make regulations for prescribing a range of fees to recover the costs, including fees on vessel registration, marine licences and endorsements, local knowledge certificates and pilotage. The regulatory fees and the revenues associated with those fees (in 2019-20) are described in the following sections.

### Recreational marine revenue

The marine licence and vessel registration fees charged by VicRoads to the general public are the fees prescribed in Part 13 of the Regulations for licensing and registration. The current fees for 2019-20 are set out in Table 3-5 below.

It is worth noting that most of the prescribed fees are expressed in the Regulations in terms of the quantity of fee units, where the value of a fee unit is determined annually by the Treasurer. The value of a fee unit in 2019-20 (and 2020-21) is set at $14.81.

In practice, VicRoads rounds down the fees to the nearest 10 cent interval for marine licence and registration transactions – for this reason the fees outlined in Table 3-5 may not exactly match up with the actual transaction fees levied by VicRoads.

Table 3-5: Prescribed registration and licence fees for recreational vessels in Victoria 2019-20

|  |
| --- |
| **Victorian vessel registration fees 2019-20** |
| **Fee type** | **1-year fee** | **Flat fee** |
| Boating Facilities and Safety Education fee (first issue or renewal) – recreational vessels with engine, up to 4 metres long | $42.94(2.9 fee units per year) |   |
| Boating Facilities and Safety Education fee (first issue or renewal) – recreational vessels with engine > 4 metres long | $89.60(6.05 fee units per year) |   |
| Transfer of registration |  | $18.95(1.28 fee units) |
| Special identification plate (dealer plate) |  | $18.95(1.28 fee units) |
| Search and certificate from marine vessel records |  | $0.00 |
| **Victorian marine licence fees 2019-20** |
| **Service** | **5-year fee** | **Flat fee** |
| Marine licence | $185.12(2.5 fee units per year) |   |
| PWC endorsement for a marine licence | $25.50 |   |
| Marine licence with PWC endorsement | $210.62(2.5 fee units plus $5.10 per year  |   |
| Restricted marine licence | $92.56(1.25 fee units per year) |   |
| PWC endorsement for a restricted marine licence | $12.50 |   |
| Restricted marine licence with PWC endorsement | $105.06(1.25 fee units plus $2.50 per year |   |
| Replacement marine licence |  | $23.10(1.56 fee units) |
| Search and certificate from operator marine licence records |  | $6.60 |
| Marine licence computer test |  | $28.87(1.95 fee units) |
| PWC endorsement computer test |  | $28.87(1.95 fee units) |
| *Both* marine licence & PWC endorsement combined computer test |  | $28.87(1.95 fee units) |

Notes on Table 3-5

1. The cost of completing a single marine licence computer test or PWC endorsement computer test is the same as the cost to complete both qualifications in the same test. This is because there is no additional cost for VicRoads to conduct the combined test – these are self-guided computer tests, and the fixed cost to VicRoads is the same regardless of which test is taken.

Fees related to the recreational boating sector involve fees for licensing of recreational masters and registration of recreational vessels. These fees are specified in Part 13 of the Regulations. The aggregate revenue from the recreational boating sector for 2019-20 is summarised in Table 3-6.

Table 3-6: Aggregate revenue from the recreational boating sector under the Marine Safety Regulations in 2019-20

|  |  |
| --- | --- |
| **Fee revenue source** | **Revenue 2019-20** |
| **Marine licence** |  |
| General marine licence | $14,940,947 |
| Restricted marine licence | $150,506 |
| Endorsed marine licence | $1,343,204 |
| Endorsed restricted marine licence | $48 |
| **Total marine licence revenue** | **$16,434,705** |
| **Other marine licence related fees** |  |
| Knowledge test | $58,971 |
| Duplication, search and extract fees | $102,688 |
| Licence search | $33 |
| **Total other licence revenue** | **$161,692** |
| **Boating Facilities and Safety Education fee (from vessel registration)** |  |
| New vessel under 4M | $231,778 |
| New vessel over 4M | $556,124 |
| Renewal of vessel under 4M | $3,285,896 |
| Renewal of vessel over 4M | $10,050,015 |
| **Total Boating Facilities and Safety Education fee revenue (from vessel registration)** | **$14,123,813** |
| **Other vessel registration related fees** |  |
| Transfer of vessel | $271,182 |
| Special identification plate | $127 |
| **Total other registration related revenue** | **$271,309** |
| **Total** | **$30,991,520** |

(Source: TSV and VicRoads)

As seen from Table 3-6, total revenue attributable to licensing fees is approximately $16.6 million and total revenue attributable to all registration related fees (fees from the Boating Facilities and Safety Education fee and other registration related fees) is approximately $14.4 million during the 2019-20 financial year. Overall, revenue attributable to the recreational boating section for the 2019-20 financial year is approximately $31 million.

Out of the $14.4 million revenue generated from vessel registration related fees in 2019-20, the majority of revenue is generated by the Boating Facilities and Safety Education fee (the BFSE fee), which funds the boating safety and facilities program. In the 2019-20 financial year, the BFSE fee generated around $14.1 million in revenue. The BFSE fee is not the same as a registration fee. It is only a fee that is paid at the time of registration of a vessel. There is no fee charged to recover the costs of regulation or the administration of the vessel registration scheme.

The BFSE fee is established under section 312 of the Marine Safety Act. This provisionmakes it clear that any monies raised must be used:

* for the provision and maintenance of boating facilities and services to the public; and
* for the conduct of boating safety, boating education and boating promotion programs for the public.

The purpose of the BFSE fee is similar to the Better Boating Fund but it is separate to and predates the Fund.

The allocation of funding from revenue raised from the BFSE fee has been the product of a grants system. Based on applications received and recommendations made by DoT (in relation to those applications), the Minister for Fishing and Boating determined what grants were issued from a discretionary program of $5 million.

In the past, any additional revenue generated by the BFSE fee *over* the amount allocated for the boating safety and facilities grants program (currently set at $5 million per annum) was directed to the Government consolidated revenue account. In 2019-20 this additional revenue was $9.1 million. Under future arrangements, the full amount of the BFSE fee will be directed into the Better Boating Fund. In the short-term, the government will continue to direct revenue from the BBF to the boating safety and facilities grants program, to make funding available to fund boating projects on an ad-hoc or needs basis. However, whether or not the applications-based grants program will continue in the long-term will depend on the outcomes of the Victorian Recreational Boating Strategy. The development of the Strategy is still underway and there is still uncertainty around the timing of a confirmed set of priority investments and how funding from the Better Boating Fund is to be directed. DoT considers there still may be merit in continuing an application-based grants program in the long-term as part of the BBF, so that grants-based ad hoc funding projects as well as strategic projects (determined by the Strategy) can be funded.

There is a variability in the transactions volume and revenue from year to year. The transactions for marine licences and vessel registrations over a five-year period is presented in Table 3-7 below.

Table 3-7: Marine licence and vessel registration transactions over 5 years

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Fee revenue source** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **5-year average** |
| **Licence transactions** |
| New licences issued | 27,293 | 25,558 | 27,268 | 25,663 | 21,756 | 25,508 |
| Licence renewals | 68,972 | 71,847 | 101,011 | 80,200 | 78,570 | 80,120 |
| Licence endorsements | 57,438 | 60,554 | 74,034 | 64,325 | 61,795 | 63,629 |
| Restricted licence | 3,277 | 3,084 | 3,140 | 1,874 | 1,651 | 2,605 |
| General licence  | 92,988 | 94,321 | 125,139 | 103,989 | 98,675 | 103,022 |
| **Registration transactions** |
| New vessel under 4M  | 5,928 | 5,794 | 6,367 | 6,067 | 5,425 | 5,916 |
| New vessel over 4M  | 6,888 | 6,747 | 6,984 | 7,144 | 6,248 | 6,802 |
| Renewal of vessel under 4M  | 72,938 | 74,037 | 74,315 | 75,591 | 76,810 | 74,738 |
| Renewal of vessel over 4M  | 107,273 | 108,913 | 109,087 | 110,485 | 112,584 | 109,668 |

(Source: TSV and VicRoads)

The revenue for marine licence and vessel registration over a five-year period is presented in Table 3-8 below.

Table 3-8: Marine licence and vessel registration revenue over 5 years

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Fee revenue source** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **5-year average** |
| **Licence revenue** |
| New licence | $4,325,606 | $4,166,464 | $4,542,359 | $4,440,217 | $3,847,788 | **$4,264,487** |
| Licence renewal  | $7,977,937 | $8,778,495 | $13,924,826 | $11,155,440 | $11,243,666 | **$10,616,073** |
| Licence endorsement  | $1,149,367 | $1,234,395 | $1,577,795 | $1,403,840 | $1,343,251 | **$1,341,730** |
| **Total licence**  | **$13,452,910** | **$14,179,354** | **$20,044,980** | **$16,999,497** | **$16,434,705** | **$16,222,289** |
|  |  |  |  |  |  |  |
| **Registration revenue** |
| New vessel under 4M  | $233,229 | $233,694 | $261,685 | $253,382 | $231,778 | **$242,753** |
| New vessel over 4M  | $565,622 | $567,145 | $598,359 | $621,661 | $556,124 | **$581,782** |
| Renewal of vessel under 4M  | $2,865,389 | $2,982,986 | $3,053,173 | $3,159,042 | $3,285,896 | **$3,069,297** |
| Renewal of vessel over 4M  | $8,796,156 | $9,149,012 | $9,348,669 | $9,624,704 | $10,050,015 | **$9,393,711** |
| **Total registration**  | **$12,460,396** | **$12,932,837** | **$13,261,886** | **$13,658,789** | **$14,123,813** | **$13,287,544** |

(Source: TSV and VicRoads)

Licence revenue can be variable from year to year because licences are issued for longer periods (usually 5 years). This means that the actual annual revenue depends on what portion of licences are due for renewal in that particular year. A standard 5 year expiry length was introduced in 2012, meaning that there was a large cohort whose licence renewal fell in the 2017-2018 financial year and there will continue to be a high level of variability year to year until the distribution of licence renewals is “normalised” over time.

### Commercial marine revenue

There are also fees charged by TSV in relation to transactions for commercial qualifications and permissions and the administration and regulation of those qualifications and permissions. The current fees for 2019-20 are set out in Table 3-9 below. The value of a fee unit in 2019-20 (and 2020-21) is set at $14.81.

Table 3-9: Prescribed commercial qualification fees in Victoria 2019-20

|  |  |  |
| --- | --- | --- |
| **Prescribed fee** | **Fee units** | **2019-20 fee** |
| **Local knowledge certificate** |  |  |
| Fee for issue or renewal of certificate of local knowledge | 4.6 fee units | $68.12 |
| Fee for issue of duplicate certificate of local knowledge | 4.6 fee units | $68.12 |
| Written examination | 3.34 fee units | $49.46 |
| Oral examination | 6.7 fee units | $99.22 |
| **Pilot licence** |  |  |
| Fee for application for issue of pilot licence | 1.54 fee units | $22.80 |
| Fee for issue of pilot licence | 4.6 fee units | $68.12 |
| Fee for duplicate of pilot licence | 4.6 fee units | $68.12 |
| **Examination fees for pilot licences** |  |  |
| Port of Melbourne waters, Port of Hastings waters, declared port waters of the Port of Portland, and declared port waters of the Port of Geelong | 105.5 fee units | $1,562.45 |
| Port of Melbourne waters, declared port waters of the Port of Portland, and declared port waters of the Port of Geelong | 84.45 fee units | $1,250.70 |
| Port of Melbourne waters, Port of Hastings waters and declared port waters of the Port of Geelong | 84.45 fee units | $1,250.70 |
| Port of Melbourne waters and declared port waters of the Port of Geelong | 63.3 fee units | $937.47 |
| Port of Melbourne waters and Port of Hastings waters | 63.3 fee units | $937.47 |
| Port of Melbourne waters and declared port waters of the Port of Portland | 63.3 fee units | $937.47 |
| Declared port waters of the Port of Portland and Port of Hastings waters | 42.2 fee units | $624.98 |
| Declared port waters of the port of Geelong and Port of Portland | 42.2 fee units | $624.98 |
| Port of Hastings waters and declared port waters of the Port of Portland | 42.2 fee units | $624.98 |
| Port of Melbourne waters (both channels) | 42.2 fee units | $624.98 |
| Port of Melbourne waters (one channel) | 24.75 fee units | $366.54 |
| Declared port waters of the port of Geelong | 24.75 fee units | $366.54 |
| Port of Hastings waters | 24.75 fee units | $366.54 |
| Declared port waters of the port of Portland | 24.75 fee units | $366.54 |
| **Pilot exemption** |  |  |
| Fee for application for issue of pilot exemption | 1.54 fee units | $22.80 |
| Fee for application for renewal of pilot exemption | 1.54 fee units | $22.80 |
| Fee for issue or renewal of pilot exemption | 4.6 fee units | $68.12 |
| Fee for duplicate of pilot exemption | 4.6 fee units | $68.12 |
| **Examination fees for pilot exemption** |  |  |
| Port of Melbourne waters, Port of Hastings waters, declared port waters of the Port of Portland, and declared port waters of the Port of Geelong | 105.5 fee units | $1,562.45 |
| Port of Melbourne waters, declared port waters of the Port of Portland, and declared port waters of the Port of Geelong | 84.45 fee units | $1,250.70 |
| Port of Melbourne waters, Port of Hastings waters and declared port waters of the Port of Geelong | 84.45 fee units | $1,250.70 |
| Port of Melbourne waters and declared port waters of the Port of Geelong | 63.3 fee units | $937.47 |
| Port of Melbourne waters and Port of Hastings waters | 63.3 fee units | $937.47 |
| Port of Melbourne waters and declared port waters of the Port of Portland | 63.3 fee units | $937.47 |
| Declared port waters of the Port of Portland and Port of Hastings waters | 42.2 fee units | $624.98 |
| Declared port waters of the port of Geelong and declared port waters of the Port of Portland | 42.2 fee units | $624.98 |
| Port of Hastings waters and declared port waters of the Port of Portland | 42.2 fee units | $624.98 |
| Port of Melbourne waters (both channels) | 42.2 fee units | $624.98 |
| Port of Melbourne waters (one channel) | 24.75 fee units | $366.54 |
| Declared port waters of the port of Geelong | 24.75 fee units | $366.54 |
| Port of Hastings waters | 24.75 fee units | $366.54 |
| Declared port waters of the port of Portland | 24.75 fee units | $366.54 |
| **Pilotage service provider** |  |  |
| Application for registration as a pilotage services provider | 13.5 fee units | $199.93 |

Current revenue from the commercial boating sector is derived from fees related to local knowledge certificates and pilotage for commercial vessel masters and are specified in Part 13 of the Regulations. The aggregate revenue from the commercial boating sector for 2019-20 is summarised in Table 3-10.

Table 3-10: Aggregate revenue from commercial boating sector under the Marine Safety Regulations in 2019-20

|  |  |
| --- | --- |
| **Fee revenue source** | **Revenue** |
| Local knowledge certificates | $36,813 |
| Pilot licences | $1,622 |
| Pilot exemptions | $14,255 |
| Registration of pilotage service providers | $0 |
| **Total** | **$52,690** |

(Source: TSV)

Notes on Table 3-10

1. There were no transactions in 2019-20 for registration of pilotage service providers.

## Estimating the efficient costs of marine safety activities

There are a range of costs associated with the delivery of recreational marine safety regulatory services. These include the cost of administering recreational marine licensing and vessel registration systems, compliance monitoring and enforcement of marine safety laws, and the provision of safety education and other related programs.

These services are delivered by a range of agencies, including:

* TSV, with primary responsibility for administering and enforcing the Marine Safety Act and the Regulations,
* VicRoads, who work under contract with TSV to deliver vessel registration and marine licensing services on behalf of TSV, and
* Emergency Management Victoria, who have oversight over marine search and rescue services.

Victoria Police, through the water police unit, also have a role in enforcing marine safety regulations, however, the costs of delivering that function are beyond the scope of this exercise as revenue from the Better Boating Fund may not be directed towards that organisation.

There are also costs incurred in regulating the commercial ports and shipping sector (other than domestic commercial vessels which is regulated nationally by the AMSA). These costs relate to the regulatory schemes for sea pilots, pilotage service providers, and harbour masters.

The following sections outline the nature and amount of costs incurred by various government organisations which have a function or role in regulating for marine safety or the delivery of related marine services.

### Transport Safety Victoria

DoT has conducted an analysis of the operations of TSV to estimate the costs attributable to administering marine safety regulations in Victoria. TSV is organised by different branches who administer the different regulatory schemes for which TSV has responsibility. The Marine Safety Branch administers the Marine Safety Act and the Regulations and is supported by general corporate branches providing policy, legal and corporate support to the Marine Safety Branch.

DoT has also estimated costs that are attributable to recreational boating regulation and those costs that are attributable to the regulation of the ports and shipping sector (commercial). It is important to make this distinction because revenues collected from the ports and shipping sector fees will not be directed to the Better Boating Fund. So, it will be important to understand the cost profiles for activities in relation to both sectors.

Table 3-11 below summarises the estimated costs incurred by TSV in the process of undertaking marine safety regulation under the Marine Safety Act. These estimates include the direct costs that are incurred by the Marine Safety Branch of TSV and the indirect costs incurred by other branches of TSV (e.g. legal, policy and corporate).

Table 3-11: Aggregate costs attributed to maritime regulatory activities under the Marine Safety Act and the Regulations in 2019-20 – by cost category

|  |  |
| --- | --- |
| **Cost category** | **Cost** |
| **Maritime Safety Branch costs** |  |
| Salary and on-costs of Maritime Safety Branch | $3,942,426 |
| Information technology costs | $9,078 |
| Office expenses (including travel and communications costs) | $77,483 |
| Vehicle expenses | $46,615 |
| **Sub-total** | **$4,075,602** |
| Payments to service provider (VicRoads) | $6,500,000 |
| **Total Marine Safety Branch costs** | **$10,575,602** |

(Source: TSV)

#### Transport Safety Victoria and VicRoads Service Level Agreement

The Marine Safety Act establishes registration and licensing requirements and appoints the Safety Director as being responsible for administering these requirements. However, in practice, the Safety Director delegates this function by service contract to VicRoads. This arrangement seeks to exploit the obvious synergies between road and marine registration and licensing systems. Importantly, it avoids TSV having to establish shopfronts around the State because VicRoads already has this infrastructure in place.

TSV pays VicRoads for services provided in relation to administering recreational marine licences and vessel registrations. These are listed as “Payments to service provider (VicRoads)” and totalled $6.5 million in 2019-20. The unit costs for each transaction that VicRoads charges to TSV for its services have been determined through a costing exercise that VicRoads implemented in 2011. These costs have been adjusted since then by indexation and the current fees are set out in Schedule 4 to the *Transport Safety Victoria – VicRoads Service Level Agreement* and set out in Table 3-12 below.

Table 3-12: Service Level Agreement between TSV and VicRoads

|  |  |
| --- | --- |
| **Licence service** | **Fee** |
| Booking for the knowledge test (includes collecting payments for the test and scheduling appointments) | $12.30 | per booking |
| Computer knowledge test  | $23.88 | per licence test |
| Issuing a new licence, re-issue, endorsements, interstate changeover (including checking application and proofs of identity, eyesight test, establishing the record on database and printing licence card) | $19.90 | per licence |
| Maintaining the database (includes customer enquiries, changing client details, refunds, surrendering of licences, cancellations) | $3.60 | per licence record per annum |
| Licence renewals and replacement licence cards (includes production of renewal notice, processing of payment and issue of new or replacement licence) | $14.78 | per renewal |
| **Registration service** | **Fee** |
| Initial, re-registration and interstate change-over of vessel registration | $20.12 | per registration |
| Renewal of vessel registration | $4.51 | per registration |
| Transfer of a vessel | $9.55 | per transfer |
| Maintaining the database (includes customer enquiries, changing client details, replacement certificates of registration, refunds, cancellations) | $1.20 | per vessel record per annum |
| Issue of marine dealer trade plate | $35.97 | per plate issued |

(Source: TSV-VicRoads Service Level Agreement)

#### Regulatory costs based on TSV activities

TSV conducts several activities in relation to marine safety regulation. These activities are based on the requirements of the Marine Safety Act and the Regulations.

For the purposes of estimating costs, Table 3-13 summarises the broad categories of activities undertaken by TSV for the recreational and commercial maritime sector and provides an estimate of the costs attributable to each activity. DoT has calculated these costs estimates based on an estimate of the proportion of time spent by TSV for each activity and the proportion of each activity TSV attributes to recreational boating versus commercial sector regulation. This information was collected at a high level through discussions with TSV, and therefore are indicative costs only.

Table 3-13: Aggregate recreational and commercial costs attributed to TSV’s maritime regulatory activities under the Marine Safety Act and the Regulations in 2019-20 – by activity category

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity category** | **Recreational costs** | **Commercial costs** | **Total costs** |
| Recreational vessels | $629,437 | $0 | $629,437 |
| Local knowledge certificates | $0 | $174,293 | $174,293 |
| Pilotage and pilot exemptions | $0 | $274,455 | $274,455 |
| Port safety | $11,685 | $126,133 | $137,818 |
| Waterway and navigational safety | $621,469 | $187,751 | $809,220 |
| Certification support | $751,954 | $102,257 | $854,211 |
| Corporate management | $488,689 | $158,625 | $647,314 |
| Other activities | $441,922 | $106,932 | $548,854 |
| **Total** | **$2,945,156** | **$1,130,446** | **$4,075,602** |

(Source: TSV)

The following sections provide a description of the activities undertaken and summary of the costs incurred by TSV in relation to the regulation of the recreational and commercial maritime sector. A high-level cost estimate is provided for each activity and is based on a high-level estimate provided by TSV on the proportion of time VPS and EO staff spend on each activity.

##### Activities in relation to recreational vessels

Table 3-14 summarises the activities and estimated annual cost of each activity in relation to recreational vessels.

Table 3-14: Estimate aggregate costs of activities in relation to recreational vessels

|  |  |
| --- | --- |
| **Activity type** | **Estimated annual cost** |
| Auditing of recreational accredited training providers | $86,198 |
| Recreational vessel inspections | $15,070 |
| Recreational compliance administration activities | $37,130 |
| Delivery of safety education programs | $387,551 |
| Oversight and coordination of administration activities with VicRoads | $103,488 |
| **Total** | **$629,437** |

(Source: TSV)

TSV incurs costs in the work it carries out with auditing accredited training providers (ATPs) for marine licences and endorsements. This work is important to ensure that training providers are delivering educational services at sufficient quality to provide students with the necessary knowledge to operate their vessels in a safe manner.

The ongoing audit of ATPs is applied to the initial assessment and to the ongoing monitoring of the delivery of marine licence training by ATPs.

An ATP’s performance is monitored through a variety of activities, providing a range of opportunities to review compliance in two distinct areas:

* administration of the training services, and
* ensuring delivery of training and assessment is compliant with the MSV Marine Licence Training Standard and the Vocational Education and Training framework maintained by the Australian Skills Quality Authority.

The oversight arrangements are also reviewed regularly and detail the procedures for:

* assessing new applications from registered training organisations wishing to become ATPs,
* auditing and monitoring of ATPs, and
* managing identified deficiencies and non-compliance.

Recreational vessel inspections involve on-site inspections of recreational vessels to ensure compliance with the Marine Safety Act and the Regulations. This include inspections of recreational vessels to ensure compliance with safety equipment requirements such as lifejackets, fire extinguishers and waterproof buoyant torches. TSV perform approximately 10 vessel inspections per year. In addition to on-site inspections, there are a range of compliance administration activities TSV performs in relation to the inspections (e.g. recording of inspection in TSV database).

The delivery of safety education programs involves attendance by TSV at boat shows, expositions, exhibitions, and schools.

As discussed in previously, TSV delegates the administration of the marine licensing and vessel registration schemes by service contract to VicRoads. The direct costs charged by VicRoads and paid by TSV are not included in this section. However, TSV does incur some additional costs in overseeing the SLA with VicRoads. The costs estimated in Table 3-14 covers any additional costs TSV incurs in overseeing and coordinating the service contract with VicRoads of this licensing and registration scheme.

##### Activities in relation to local knowledge certificates

Table 3-15 summarises the activities and estimated annual costs incurred by TSV in relation to local knowledge certificates.

Table 3-15: Estimate aggregate costs of activities in relation to local knowledge certificates

|  |  |
| --- | --- |
| **Activity type** | **Estimated annual cost** |
| Local knowledge certificate administration | $87,146 |
| Local knowledge certificate assessment (303 local knowledge certificates issued or renewed in 2019-20) | $87,146 |
| Local knowledge certificate examination(174 local knowledge certificate examinations conducted in 2019-20) | $0 |
| **Total** | **$174,293** |

(Source: TSV)

Activities in relation to administering and processing applications for local knowledge certificate requires TSV to:

* register the initial application when it is received and determine if the applicant already has a record with TSV (if not, an individual record is created which will be used as a repository for all transaction details the individual will have with TSV, for both this licence and all future interaction with TSV)
* assess the supplied materials to ensure all required information has been provided to demonstrate the applicant has met the specified training requirements and liaise with the applicant where additional materials are required
* organise for the required examination to take place (local knowledge certificate examinations are conducted externally by harbour masters or their representative as part of their function as a harbour master – the examination is free of charge to applicants with costs covered by the harbour master (costs are not incurred by TSV and therefore not counted as a TSV cost for the purposes analysis in this RIS)
* prepare the licence approval documentation and the licence
* approve the certificate by the Safety Director (or their delegate).

Overall, processing an application takes an estimated 3.5 hours for VPS3 and VPS4 officers to assess each local knowledge certificate application. A VPS5 and VPS6 takes an estimated further 0.5 hours each for quality assurance and approval of each application.

##### Activities in relation to pilotage and pilot exemptions

Table 3-16 summarises the activities and estimated annual costs incurred by TSV in relation to pilotage and pilot exemptions.

Table 3-16: Estimate aggregate costs of activities in relation to pilotage and pilot exemptions

|  |  |
| --- | --- |
| **Activity type** | **Estimated annual cost** |
| Pilot licence administration  | $95,010 |
| Pilot licence assessment(2 pilot licence applications and 7 pilot licences issued in 2019-20) | $10,486 |
| Pilot licence examination(3 pilot licence examinations conduced in 2019-20) | $19,223 |
| Pilot exemption certificate administration(26 pilot exemption applications, 14 pilot exemptions issued and 30 pilot exemption examinations in 2019-20) | $19,223 |
| Registration of pilotage service providers | $17,476 |
| Pilotage administration | $70,989 |
| Pilotage standards assistance | $42,049 |
| **Total** | **$274,455** |

(Source: TSV)

When assessing applications for pilotage and pilot exemption certification, TSV:

* registers the initial application when it is received and determines if the applicant already has a record with TSV (if not, an individual record is created which will be used as a repository for all transaction details the individual will have with TSV, for both this licence and all future interaction with TSV)
* assesses the supplied materials to ensure all required information has been provided to demonstrate the applicant has met the specified training requirements and liaises with the applicant where additional materials are required
* organises for the required examination to take place (an external contractor charges TSV a fixed fee to conduct a pilot licence and pilot exemption examination). TSV effort involved with pilot examination include general administration related to the examination by a VPS3 officer (1.5 hours per examination) as well as EO approval (1.5 hours to 3.5 hours). Examination fees costs and EO effort costs are scaled depending on the number of declared waters involved with the examination).
* prepares the licence approval documentation and the licence.
* approves the pilot licence or exemption by the Safety Director (or their delegate)

Each pilot licence assessment involves approximately 19 hours by VPS4 and VPS5 officers of time to assess the application, two hours for a VPS6 for quality assurance and one hour for final approval by an EO.

In terms of pilotage service providers, it takes about 9 hours for VPS4 and VPS5 officers to assess each application for pilotage service providers. A VPS6 and EO takes a further 1 hour each for quality assurance and approval for each application.

TSV also conducts ad hoc administrative work related to pilots, pilot exemptions, and pilotage service providers. For example, due to the incremental framework for pilot licensing, TSV has an ongoing relationship with pilot licence holders and is required to review and approve requests for increases in the vessel limits the pilots are approved to oversee. This is undertaken in liaison with the employing pilotage service provider which is required to provide relevant training and experience necessary for pilots to progress through the pilot licence framework.

Other activities TSV undertakes in relation to pilotage and pilotage service providers includes ongoing liaison with providers of these services on operational matters including standards assistance. Standards assistance refers to the process of reviewing the pilotage standard. This work involves meetings and workshops to review the current requirements, as it is intended that the standard be a "living" document which is subject to continuous improvement. So the standard adapts to the changing maritime operations environment to manage the framework for pilot and pilot exempt masters. This feeds into the licensing and training requirements regime for ports, pilotage service providers, pilots, pilot exempt masters and harbour masters.

In addition, TSV undertakes audits of pilotage service providers to ensure these operators comply with their documented safety management plans and related obligations.

##### Activities in relation to port safety

Table 3-17 summarises the activities and the estimated annual costs incurred by TSV in relation to port safety.

Table 3-17: Estimate aggregate costs of activities in relation to port safety

|  |  |
| --- | --- |
| **Activity type** | **Estimated annual cost** |
| Harbour master licence assessment(1 harbour master licence issued in 2019-20) | $1,747 |
| Harbour master licence administration | $19,223 |
| Administration of port management bodies (includes auditing against safety duties) | $116,848 |
| **Total** | **$137,818** |

(Source: TSV)

The costs incurred by TSV in relation to port safety include efforts to licence harbour master (who are employed by port management bodies) and overseeing port management bodies, including auditing them against their safety duties under the Act. Currently the Government does not recover these costs directly through fees.

The work carried out by TSV in relation to applicants for harbour master licences involves the following activities:

* registering the initial application when it is received and determining if the applicant already has a record with TSV (if no record already exists, an individual record is created which will be used as a repository for all transaction details the individual will have with TSV, for both this licence and all future interaction with TSV)
* assessing the supplied materials to ensure all required information has been provided to demonstrate the applicant has met the specified training requirements
* where necessary, liaising with the applicant to obtain additional supporting documentation
* preparing the licence approval documentation and the licence
* distributing the approved licence to the applicant and updating applicant records.

In addition to licensing, TSV liaises with appointed harbour masters on the oversight of port management safety duties, the development of standards and directions, waterway management issues (such as special rule and event applications), emergency management (including maritime casualty and pollution response) and incident/accident investigations.

##### Activities in relation to waterway and navigational safety

Table 3-18 summarises activities and estimated annual cost incurred by TSV in relation to waterway and navigational safety. These costs are not directly recovered by the Government through fees.

Table 3-18: Estimate aggregate costs of activities in relation to waterway and navigational safety

|  |  |
| --- | --- |
| **Activity type** | **Estimated annual cost** |
| Waterway Rule making | $29,562 |
| Event management - exemptions, exclusion zones, risk management | $99,698 |
| Permits | $135,352 |
| Waterway inspections and audits | $73,619 |
| Transport Safety Officer (TSO) training (external) | $68,129 |
| Guidance material and capacity building of Waterway Managers | $39,121 |
| Geospatial analysis of aids to navigational, channels and other hydrographic elements | $106,471 |
| Provision of navigational aids (lights) and maintenance | $28,392 |
| Waterway management (TSV as waterway manager) | $23,950 |
| Compliance audits of waterway managers. | $24,924 |
| Policy development and input to external stakeholder matters (e.g. expert advice) | $180,002 |
| **Total** | **$809,220** |

(Source: TSV)

The management of events on waterways involves the oversight of boating activity exemptions and exclusions zones made to waterway managers for on-water events.

Activities related to waterway rules include the amendment of rules, at the request of waterway managers, to address emerging risks on waterway. TSV also review and approve navigation safety permits.

Compliance and auditing activities involves the on-site auditing of waterway managers to ensure compliance with safety duty requirements, on-site inspections of waterways and audits of the effectiveness of waterway rules and signage, and training Transport Safety Officers and external compliance partners in waterway and navigational standards so that they are equipped to monitor compliance with waterway rules.

TSV undertake waterway management for any unmanaged public waterways (TSV is the default waterway manager for all unmanaged public waterways in Victoria). This may include developing strategies, planning, monitoring and evaluating waterways to maintain and improve environmental conditions of Victoria’s waterways (e.g. managing vegetation around waterways).

TSV engages in policy development and analysis, and provides expert advice and training, on matters related to waterways and navigation safety. This includes:

* the development and provision of guidance material and building the capacity of waterway managers through assisting and training of water managers,
* undertaking geospatial analysis of aids to navigational, channels and other hydrographic elements (i.e. mapping of Victorian Waterways), and
* providing expert advice and input into external stakeholders matters.

TSV also procures and supplies navigational aids and manages contracts for installation and maintenance of the aids.

##### Activities in relation to certification support

Table 3-19 summarises activities and estimated annual cost incurred by TSV in relation to certification support. These costs are not directly recovered by the Government through fees.

Table 3-19: Estimate of aggregate costs of activities in relation to certification support

|  |  |
| --- | --- |
| **Activity type** | **Estimated annual cost** |
| Compliance and enforcement activities | $349,077 |
| Liaison with compliance and enforcement partners | $98,028 |
| Incident management and investigations | $223,634 |
| Data management | $56,785 |
| Industry Communication, Liaison and Education, and | $84,098 |
| Reporting | $42,589 |
| **Total** | **$854,211** |

(Source: TSV)

TSV supports a range of certification compliance and enforcement activities undertaken by a range of external compliance and enforcement partners, such as Victoria Police.

This include supporting both on-water and shore-based compliance and enforcement, liaising and providing support to external compliance and enforcement partners, and supporting incident management and investigation through post-incident vessels inspections, incident investigations and supporting investigations conducted by Victoria Police.

TSV provides database management and reporting. TSV manages its database of marine incidents, registration and marine licences, as well as providing internal and external reporting on boating, demographic and incident data, analysis and trends, to assist with compliance and enforcement activities.

TSV also engages with the industry through regular communication, liaison and education, providing subject matter expertise to various aspects of the maritime industry.

##### Activities in relation to corporate management

These activities cover the general corporate functions of TSV and are estimated in the Table 3-20.

Table 3-20: Estimate of aggregate costs of activities in relation to corporate management

|  |  |
| --- | --- |
| **Activity type** | **Estimated annual cost** |
| Budget and finance administration | $60,540 |
| Recruitment | $32,147 |
| Business planning | $40,885 |
| Risk management | $32,147 |
| Contract management | $119,798 |
| Procurement | $91,406 |
| Stakeholder engagement | $270,391 |
| **Total** | **$647,314** |

(Source: TSV)

##### Other activities

Other activities undertaken by TSV include the audit of safety duty holders (other than ports) under the Marine Safety Act and training and development of TSV staff, outlined in Table 3-21.

Table 3-21: Estimate of aggregate costs of other activities

|  |  |
| --- | --- |
| **Activity type** | **Estimated annual cost** |
| Audit of Safety Duty Holders (other than ports) | $28,392 |
| Staff training and education | $520,461 |
| **Total** | **$548,854** |

(Source: TSV)

### Emergency Management Victoria

Emergency Management Victoria (EMV) was established in July 2014 and plays a key role in implementing the Victorian Government’s emergency management reform agenda. EMV is responsible for Marine Search and Rescue (MSAR) units across the State. The MSAR units are responsible for ensuring boater safety by responding to emergency call-outs from Victorian boaters in need of assistance (such as providing assistance to sinking vessels, vessels with mechanical problems or to perform medical evacuation responses).

While the MSAR rescue crews are made up entirely of dedicated volunteers, funds are needed to support the MSAR unit offices (e.g. operating costs such as office staff costs and training), MSAR rescue units (e.g. fuel), provide for new rescue vessels, and assist with implementation of MSAR reforms (e.g. new communication platforms). Typically, approximately 1,400 incidents are responded to annually. Approximately 98 per cent of total marine incidents (1,375 of 1,398 incidents) reported to the Safety Director are related to recreational marine incidents.

Table 3-22 provides a summary of costs incurred by EMV attributable to the MSAR function in 2019-20 by activity type. Each cost category of discussed in more detail in the following sections.

Table 3-22: Aggregate EMV costs attributable to the MSAR function in 2019-20 – by activity category

|  |  |
| --- | --- |
| **Cost category** | **Costs** |
| **Operating costs** |  |
| Training | $193,121 |
| Insurance | $200,000 |
| Asset management and procurement | $120,334 |
| Agreement administration | $77,249 |
| Other activities | $301,871 |
| **Total operating costs** | **$892,574** |
| Grants | $1,068,000 |
| **Total aggregate costs** | **$1,960,574** |
| **Percentage of costs attributable to recreational boating** | **98%** |
| **Aggregate costs attributable to recreational boating** | **$1,921,362** |

(Source: EMV)

Notes on Table 3-22

1. Costs related to grants are based on the 2020-21 grant amount provided to MSAR units.

Note that the costs outlined in Table 3-22 above summaries the total aggregate costs of the MSAR function in assisting all Victorian marine vessels (i.e. commercial vessels and recreational vessels). For the purposes of the assessment of fees under the Regulations in this RIS, EMV’s costs in relation to the MSAR function in respect of the recreational boating sector only are relevant.

Using the proportion of incidents reported to the Safety Director as a proxy for incidents responded to by MSAR units it appears, on face value, that most (i.e. 98 per cent) of MSAR resources are used by recreational boaters. Therefore, DoT assumes that approximately $1.92 million of EMV costs are attributable to the recreational sector.

The remaining 2 per cent of activity relates to the provision of marine search and rescue services in respect of domestic commercial vessels and international ships. The regulation of such vessels is outside the scope of the Marine Safety Act, as such vessels are either regulated under the Domestic Commercial Vessel National Law or the Commonwealth’s Navigation Act 2012. Therefore, it is appropriate to exclude the costs associated with providing marine search and rescue services to primarily commercial vessels.

#### Operating costs

EMV’s costs to deliver the MSAR function include operating costs for training, insurance provided to MSAR units, asset management and procurement, and agreement administration.

##### Training

The MSAR units are individually responsible for delivering training to their volunteers. Training is required to be delivered to the national regulatory standards under the Domestic Commercial Vessel National Law.

EMV’s role is to oversee and support the delivery of training by MSAR units. EMV has one full-time position, at the VPS grade 5 level, dedicated to this role. The oversight role includes the following activities:

* Planning and conducting state-wide trainer programs to build self-resilience in unit training delivery.
* Developing and implementing shared training resources that are contemporary and offer flexible delivery models.
* Organising room hire, accommodation and equipment hire, and, if needed, external trainers to deliver complex programs.
* Planning, preparing and delivering practical on water simulated exercises annually for every flotilla.

##### Note that part of the grant funding provided by EMV to MSAR units is dedicated to delivering training. This is different to the costs of training accounted for under operational costs. Training costs classified under operational costs involve the costs of a VPS staff for overseeing and coordinating training delivered by MSAR units. On the other hand, training costs under the grants program involve substantive costs incurred by MSAR units in delivering training, such as the costs for the use of fuel, equipment, and training instructors to actually deliver the required training courses. These training costs are accounted for separately under the grants program outlined in Section 3.5.2.2.

##### Insurance

EMV funds and manages insurance coverage in respect of all MSAR units. Victorian Managed Insurance Authority (VMIA) provides insurance cover to all volunteer MSAR organisations in Victoria. The annual premium currently is $200,000.

##### Asset management and procurement

There are 13 state-owned vessels used for the MSAR function that are managed directly by EMV. EMV employs one full-time position, at the VPS grade 5 level, and part (10 per cent) of a VPS grade 6 position to manage these assets and procure new vessels.

The main costs associated with managing vessels as assets is the maintenance of those vessels. Vessels are required to be maintained in order to comply with the domestic commercial vessel marine safety laws.

In the event that there is funding and a need for new vessels, EMV staff, with the support from the Emergency Services Infrastructure Authority provide expertise in the procurement of vessel appropriate for the needs of MSAR. This includes developing vessel tender specifications.

##### Service level agreement administration

Grant funding (discussed further in the next section) is provided to individual MSAR units and is based on service level agreements with each MSAR unit. There are overarching agreements with 10 organisations covering the 30 MSAR units. EMV allocates part (50 per cent) of a VPS grade 5 to fulfil the function of administering these agreements.

Agreements between EMV and MSAR units entails liaison and engagement by EMV at local, regional and state levels. The administration activities include the audit of compliance against each agreement, the identification of governance issues, and engagement with units to identify rectification strategies and ongoing compliance works.

#### Grants

EMV provided a total of $1.068m in grants to MSAR units for 2020-21. Grants are allocated to cover a range of MSAR’s operating costs, such as the costs of fuel for MSAR vessels to execute search and rescue operations, maintenance and minor capital costs for MSAR unit vessels and equipment, training costs (including the costs of fuel used for on-vessel training exercises) and administrative costs (e.g. photocopying, record keeping).

While EMV requires MSAR units to report spending against each expense type, some flexibility is provided due to the changing nature of their workload. For example, restrictions due to the COVID-19 meant reductions in face-to-face training allowed an increase in spending for operational responses.

Table 3-23 summarises the grant funding allocated to each of the 30 MSAR units in 2020-21 and includes indicative amounts to be spent by MSAR units on fuel, maintenance, training, and administration.

Note that LSV Port Campbell and LSV Woodside currently did not receive a grant in that financial year due to non-compliance and insufficient response capacity with industry guidelines.

Table 3-23: EMV grants provided to MSAR units in 2020-21

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **MSAR unit** | **Fuel** | **Maintenance and minor capital** | **Training (incl. fuel)** | **Admin.** | **Total** |
| **Australian Volunteer Coast Guard** |   |   |   |   |   |
| AVCG Carrum | $15,000 | $10,000 | $15,000 | $5,000 | $45,000 |
| AVCG Eppalock | $5,000 | $10,000 | $10,000 | $3,000 | $28,000 |
| AVCG Frankston | $15,000 | $10,000 | $15,000 | $5,000 | $45,000 |
| AVCG Geelong | $10,000 | $10,000 | $15,000 | $5,000 | $40,000 |
| AVCG Lake Hume | $5,000 | $10,000 | $10,000 | $3,000 | $28,000 |
| AVCG Lakes Entrance  | $10,000 | $10,000 | $15,000 | $5,000 | $40,000 |
| AVCG Mallacoota | $5,000 | $10,000 | $10,000 | $5,000 | $30,000 |
| AVCG Marlo | $10,000 | $10,000 | $10,000 | $5,000 | $35,000 |
| AVCG Paynesville | $10,000 | $10,000 | $15,000 | $5,000 | $40,000 |
| AVCG Port Albert | $15,000 | $10,000 | $15,000 | $5,000 | $45,000 |
| AVCG Portland  | $15,000 | $15,000 | $15,000 | $5,000 | $50,000 |
| AVCG Queenscliff | $6,000 | $10,000 | $15,000 | $5,000 | $36,000 |
| AVCG Safety Beach | $10,000 | $10,000 | $15,000 | $5,000 | $40,000 |
| AVCG St Kilda | $15,000 | $10,000 | $15,000 | $5,000 | $45,000 |
| AVCG Warrnambool | $10,000 | $15,000 | $15,000 | $5,000 | $45,000 |
| AVCG Welshpool | $15,000 | $15,000 | $15,000 | $5,000 | $50,000 |
| AVCG Werribee | $10,000 | $8,000 | $15,000 | $5,000 | $38,000 |
| AVCG Western Port | $15,000 | $10,000 | $15,000 | $5,000 | $45,000 |
| **Life Saving Victoria** |   |   |   |   |   |
| LSV Port Campbell | $0 | $0 | $0 | $0 | $0 |
| LSV Portland | $1,000 | $3,000 | $7,000 | $3,000 | $14,000 |
| LSV Waratah Bay  | $1,000 | $5,000 | $7,000 | $3,000 | $16,000 |
| LSV Woodside | $0 | $0 | $0 | $0 | $0 |
| **Victorian State Emergency Service** |   |   |   |   |   |
| SES Inverloch | $10,000 | $10,000 | $15,000 | $3,000 | $38,000 |
| **Independent Organisations** |   |   |   |   |   |
| Apollo Bay Marine Rescue | $5,000 | $15,000 | $15,000 | $3,000 | $38,000 |
| Ocean Grove Coast Watch | $10,000 | $10,000 | $10,000 | $5,000 | $35,000 |
| Port Fairy Marine Rescue | $2,000 | $10,000 | $15,000 | $5,000 | $32,000 |
| Southern Peninsula Marine Rescue | $10,000 | $10,000 | $15,000 | $5,000 | $40,000 |
| Torquay Marine Rescue | $10,000 | $10,000 | $15,000 | $5,000 | $40,000 |
| Volunteer Marine Rescue Hastings | $15,000 | $10,000 | $15,000 | $5,000 | $45,000 |
| Volunteer Marine Rescue Mornington  | $15,000 | $10,000 | $15,000 | $5,000 | $45,000 |
| **Total** | **$275,000** | **$286,000** | **$379,000** | **$128,000** | **$1,068,000** |

(Source: EMV)

### Summary of costs

For the purposes of this RIS, the costs of each organisation or strategy described in the preceding sections can be categorised as recreational or commercial costs.

Costs related to the administration of the recreational marine sector is presented in Table 3-24 below.

Table 3-24: Summary of aggregate costs for recreational boating sector

|  |  |
| --- | --- |
| **Activity** | **Recreational costs** |
| **Transport Safety Victoria** |  |
| Payments to licensing service provider (VicRoads) | $6,500,000 |
| Recreational vessels | $629,437 |
| Port safety  | $11,685 |
| Waterway and navigational safety | $621,469 |
| Certification support | $751,954 |
| Corporate management | $488,689 |
| Other activities  | $441,922 |
| **TSV total** | **$9,445,156** |
| **Emergency Management Victoria** |  |
| **EMV total** | **$1,921,362** |
| **TOTAL RECREATIONAL** | **$11,366,518** |

Costs related to the administration of the commercial marine sector is presented in Table 3-25 below.

Table 3-25: Summary of aggregate costs for commercial boating sector

|  |  |
| --- | --- |
| **Activity** | **Commercial costs** |
| **Transport Safety Victoria** |  |
| Local knowledge certificates | $174,293 |
| Pilotage and pilot exemptions | $274,455 |
| Port safety  | $126,133 |
| Waterway and navigational safety | $187,751 |
| Certification support | $102,257 |
| Corporate management | $158,625 |
| Other activities | $106,932 |
| **TOTAL COMMERCIAL** | **$1,130,446** |

## Assessing the efficiency of regulatory costs

### Efficiency of current regulatory costs

As part of the process of developing this RIS, DoT conducted analysis of the efficiency of costs of administering marine safety services in Victoria. These costs are included in the cost base to be recovered through fees.

The first item that DoT has assessed is the quantum of overhead costs incurred by TSV which directly relate to the delivery of marine safety services. In the case of TSV, these costs include, a portion of legal, IT, communications and human resources costs required to fulfil activities under the Regulations that are attributable to the Marine Safety Victoria branch.

TSV was established in 2010 as a multi-modal safety regulator operating under different legislation for various safety schemes. While it is currently also responsible for bus safety regulation in additional to regulating the recreational boating and commercial ports and shipping sectors, when it was established TSV’s scope of regulatory obligations was larger than what it currently is now. The scope of the regulatory functions has influenced the organisational structure and therefore the quantum of overhead costs.

Since 2018, there have been some legislative changes which have changed the structure of the organisation. These are:

* Since 2018, TSV has no longer been responsible for the regulation of domestic commercial vessels. AMSA is now directly responsible for administering the Domestic Commercial Vessel National Law in Victoria.
* In 2019, legislation provided the transition of the local rail operators to the national rail safety scheme and that the Office of the National Rail Safety Regulator (ONRSR) was directly responsible for regulating all rail operators.

As a result of these changes, TSV staff previously employed to fulfil rail safety and domestic commercial vessel safety regulatory functions have transferred to the respective national regulators. These changes may also affect the level of indirect costs that are needed to support TSV’s remaining functions. Since costs are estimated based on actual costs incurred in the 2019-20 financial year, any such changes may not be fully reflected in the cost estimates. There may be further adjustments to indirect costs in future years to reflect the size of the organisation and the scope and function of the regulator. These changes would suggest that the total costs of regulation as estimated in this RIS may not be efficient, meaning that costs could be reduced as efficiency is improved.

Other possible reforms may also affect the scope and role of the Maritime Safety Branch of TSV and, therefore, the total costs of regulation. The Regulations are set to expire in June 2022 and a review of these Regulations is currently underway. Any changes to the Regulations could subsequently affect the scope of administrative activities undertaken by TSV.

Another aspect of the cost profile that DoT has assessed relates to the costs incurred by TSV and that are paid to VicRoads. As discussed previously, VicRoads charges under the SLA (refer back to Table 3-12) essentially form the regulator’s costs in relation to the administration of marine licensing and vessel registration activities, before overhead costs are considered. The arrangement between TSV and VicRoads seeks to exploit synergies between road and marine registration and licensing systems. Under this arrangement TSV does not need to establish their own systems and infrastructure to directly administer maritime registration and licensing. Accordingly, it can be argued that this contributes to some level of efficient use of resources by taking advantage of these synergies.

The costs charged by VicRoads under the SLA were determined through a costing exercise. It is possible that these costs are no longer set at an efficient level (it is equally possible that they may be set too low), as these charges have not been reviewed recently. DoT notes that the SLA was not determined or established as a result of a competitive tendering process, and it may be possible that there are alternative providers (including third-party or private organisations) that may be able to deliver these services.

It is too soon to determine what the implication of any changes in these transaction delivery costs may be for fees charged to the public under the Regulations. If costs do rise, it may be possible to absorb any increases through the gradual indexing of fees over the life of the new service agreement. It is also possible that TSV may seek a new payment provider or platform at the end of the current SLA, which would entail a different schedule of costs.

DoT also notes there may be inefficiencies with the fees VicRoads charges to TSV in relation to database maintenance costs. As seen in Table 3-12, VicRoads charges TSV a fee per licence record per annum and a fee per vessel record per annum. Discussions with TSV indicate that VicRoads retains all records of licence and vessels, irrespective of whether the record is “active” or not. In other words, VicRoads retains all historical records of licence holders and vessels, despite any records attached to this licence or vessel being out of date or expired. That is, once a licence record or vessel record is in the VicRoads system, it will remain in the VicRoads system in perpetuity. The consequence of this is that transactional, or per record, cost to TSV in relation to these fees will be cumulative (assuming that the unit fee per record increases in line with CPI) as the number of records accumulates. This raises questions about the efficiency, and subsequent costs, of retaining records that may not necessarily be utilised by TSV.

In the preceding paragraphs, DoT has identified some factors which would suggest that the regulatory cost base is not entirely efficient and may change in future years. For this reason, DoT will consider options in relation to setting fees to seek the public’s views and feedback on different fee models.

### Possible options for increasing efficiency

In order to ensure that the costs of the regulator are efficient, TSV could seek options to reduce its costs and improve efficiency.

#### Reducing corporate costs

If regulators are able to reduce their corporate costs, this could improve the efficiency of the regulatory cost base which is linked to prescribed fees.

One option available to TSV to decrease their corporate costs could be to draw on shared government services, such as a common Victorian Public Service corporate service provider or by pooling resources with the Department of Transport.

It should be noted that TSV currently utilise common government IT service provider CeniTex for database hosting and providing general IT hardware and network services. It is not clear what further scope there may be to reduce these particular costs, or whether it would be possible to seek to source finance and human resource services through a shared government provider.

In relation to FTE staff who perform technical IT or systems related functions within the organisation, TSV could examine the nature of these functions to determine whether they are specialised to TSV’s business area or generic and whether there is scope to source these services externally. TSV could also review which of these functions are required to effectively deliver regulatory services and whether there is scope to specifically reduce these. TSV could also examine models used by other regulators as a guide.

A similar process could also be used in relation to the other core corporate functions of TSV (e.g. finance, human resources).

#### Testing the market for registration and licensing services

Another avenue to reduce costs would be to test the market for registration and licensing services to consider whether there are alternative service providers that may be able to provide such services. A competitive process would provide assurance to DoT and the public that the chosen provider is able to demonstrate the best value for money.

From the perspective of setting regulatory fees under the Regulations, engaging a service provider through a competitive tendering process would ensure that those costs are efficient and the minimum necessary to deliver the regulatory services. In turn, this would ensure that any regulatory fees are set at efficient levels.

## Effect of revenue and costs on the Better Boating Fund

The overall regulatory and operational costs attributable to the recreational boating section in 2019-20 is estimated at $11.4 million per annum (as summarised in Table 3-24). The revenue recovered in 2019-20 from the recreational boating sector under the Marine Safety Regulations is $31 million per annum (see Table 3-6). This means that amount currently available for spending under the Victorian Recreational Boating Strategy for priority infrastructure and facilities investments is $19.6 million per annum.

Legislation introduced in 2020 which implemented the Better Boating Fund allows for regulatory fees to be set at levels higher than the regulatory and operational costs identified in this RIS to enable spending under the Strategy. However, DoT notes that the actual investment priorities are still to be determined via the development of the Strategy. Without confirmation of the Strategy’s priority of investments, the requisite allocation of funding to meet the Strategy’s funding objectives is unknown. This means that, for the purposes of this RIS, the investment “costs” or revenue required in excess of the regulatory and operational costs that will be required for the funding priorities, cannot be determined at this stage.

# Objectives

In considering what options are available to set regulatory fees, it is important to have regard to the objectives of the exercise. The objectives will guide the identification of options, and the merits of those options will be informed by how well each option achieves or promotes those objectives.

In making the proposed regulations to set regulatory fees, DoT’s overarching objective is to efficiently and equitably recover the costs of regulating marine safety laws, to minimise any negative impact of regulatory fees on safety, small businesses and participation, and to raise funds for the purposes of funding capital and infrastructure investments.

There are three components to the primary objective, namely:

* Efficient and equitable cost recovery
* Minimising any negative impact on safety, small business and participation
* Funding priority capital and infrastructure investments.

These are further explained below.

## Efficient and equitable cost recovery

The *Victorian Guide to Regulation* states that general government policy is that regulatory fees and user charges should be set on a full cost recovery basis because it ensures that both efficiency and equity objectives are met (where full cost represents the value of all the resources used or consumed in the provision of the output or activity).

##### Efficiency

The efficiency objective is concerned with efficient allocation of resources by sending the appropriate price signals about the value of all the resources being used in the provision of government goods, services and/or regulatory activity. The efficiency objective is best promoted when regulatory fees are set at levels to full recover costs.

In the case of marine fees under the Marine Safety Regulations, the objective is to promote the efficient allocation of marine safety services by sending appropriate price signals about the value (through positive safety outcomes) that the regulatory activity provides.

##### Equity

There are two types of equity: horizontal equity and vertical equity.

As outlined in the Department of Treasury and Finance’s Cost Recovery Guidelines:

*Horizontal equity refers to treating people in similar situations in similar ways. In the case of cost recovery, horizontal equity refers to those who benefit from government activities, or those that contribute to the need for government regulation, having to pay the associated costs. This improves equity because it avoids the situation where all taxpayers have to pay the associated costs regardless of whether or not they benefit from – or give rise to the need for – the government activity/regulation.*

Effectively, horizontal equity would suggest that each person that gives rise to regulation or benefit from that regulation should contribute an amount that is proportionate to how much that person gives rise to the need for regulation or benefit from that regulation.

Vertical equity refers to treating people with a greater ability to pay differently to those that may be less able to pay. There may be disadvantaged groups such as those that are of a low socio-economic status, that may be unable to pay the same amount of fees compared to other groups. In these cases, it may be more equitable if different fee structures or levels are set depending on the status or characteristic of different groups or users.

In the case of marine fees under the Regulations, consideration of horizontal equity may be relevant when considering different approaches to fees based on the type of vessel used (e.g. PWCs compared to motorised yachts or motorised recreational vessels) or the type of waterway users (e.g. swimmers, users of unpowered recreational craft, or masters of recreational vessels etc.). Equally there may need to be consideration of whether there are disadvantaged groups that require a different approach to fees.

## Minimising any negative impact on compliance and safety outcomes, small business and participation

##### Considering the impact on compliance and safety outcomes

The financial impact of regulatory fees may incentivise regulated parties to avoid regulatory obligations if regulatory fees are set too high. For example, a master of a recreational vessel may avoid obtaining a marine licence if the perceived cost of obtaining that licence is too high. The effect is that it undermines compliance monitoring and enforcement, and sanctions are unable to be applied to that person if they break marine safety laws.

This objective is concerned about ensuring that there are no unintended consequences associated with setting regulatory fees on compliance outcomes. Since the regulatory scheme has been established to address specific safety problems, non-compliance with the regulatory scheme may undermine this safety objective. Regulatory fees should not be set to incentivise non-compliance with marine safety laws.

##### Considering the impact on small business

Small businesses may experience disproportionate effects from regulatory requirements for a range of reasons. For example, a small business may have limited resources to interpret regulatory requirements, or to keep pace with regulatory changes. The cumulative effect of different requirements may impact small business greater than a larger business with the resources to more easily comply with regulatory requirements.

In the context of fees under the Regulations, this objective will likely be relevant for smaller organisations whose businesses require qualifications or registrations. An example being accredited training providers or pilotage service providers employed licensed pilots.

Under this objective, regulatory fees should not have a disproportionate impact on small businesses.

##### Considering the impact on participation and competition

In some cases, regulation can affect competition by preventing or limiting the ability of businesses and individuals to enter and compete within particular markets. Where this occurs, there are likely to be adverse effects for consumers (through reduced choice of products and/or higher prices) and the broader economy (through reduced opportunities or incentives for businesses to invest and innovate, leading to lower productivity and employment growth).

In the context of fees under the Regulations, this may have relevance for areas where there are high amounts of regulatory work required (and hence potentially high entry fees) to initially accredit or register new entrants into a particular area of the marine industry (e.g. pilotage service providers).

This objective is to consider the effect of regulatory fee levels and structures on competition and participation in the market and to minimise any adverse effect.

## Funding priority capital and infrastructure investments

As discussed in Section 3, the Better Boating Fund has been established to return marine licensing and vessel registration fee revenue to the recreational boating sector. This means that not only should the cost of regulating for marine safety be recovered through regulatory fees, but also that regulatory fees be such that investments that improve the amenity and accessibility of recreational boating are also able to be funded. This objective is concerned with ensuring that any regulatory fees should be set at levels to sufficiently fund priorities as determined by the government in consultation with stakeholders.

# The base case

When assessing the merits of any options identified to meet the objectives of prescribing regulatory fees, the options need to be compared to the base case, which is typically a scenario where there are no regulations in place.

Revenue

In relation to marine safety fees, under a base case of no regulations, there would be no fee regulations and therefore no revenue raised from either the recreational boating sector or the ports and shipping sector. This means that taxpayers fully fund the estimated cost of marine safety regulation and operational costs once the current regulations expire as the costs of regulation would be sourced from consolidated revenue (i.e. general state taxation revenue).

Level of safety regulation

There would not be a discontinuation of funding for marine safety regulation under a base case scenario. This is because the potential harms and consequences associated with recreational boating and the ports and shipping sector would exist even if there were no regulatory fees. Therefore, DoT would expect that at least some level of marine safety regulation would continue and TSV would continue to be funded to some level. In the absence of fee regulations, there may be an impact on the amount of funding provided to TSV. With less funding, TSV may need to determine priorities for compliance monitoring and enforcement.

Availability of funding for priority investments

Even with no marine safety fee regulations in place, there would continue to be a Better Boating Fund (as the Fund is established in legislation), but no revenue would be paid into the Fund. This would have implications for the priority investments to be identified as part of the Victorian Recreational Boating Strategy, as there would be no money available to fund those investments.

# Identification of feasible options

## Summary of high-level options

The following options presented describe the general options available to achieve the stated objectives. That is, to recover the costs of marine safety regulation and to fund boating safety and educational programs and the improvement of boating related infrastructure.

DoT is considering three broad options:

* Retaining fees at current levels
* Restructuring some fees to ensure that the costs of marine safety regulation is fully recovered while maintaining funding for boating infrastructure, and
* Increasing fees to generate more funding for facilities and infrastructure.

There are other options which DoT will not explore further. These include:

* **Partial cost recovery** – Marine licensing and vessel registration fees could be set such that the fees would only recover some proportion of regulatory costs. There are two ways this could be done. The first is that regulatory fees are set so that regulatory costs are partially recovered and there is no provision for improving boating facilities. On the other hand, regulatory fees could be set such that a proportion of fees would be used to cover the costs of regulations (but not the full amount) and the remaining fees would be used to improve boating facilities. DoT is not intending to consider this option further under either scenario as it would not meet the objectives of the exercise.
* **Setting fees such that only the costs of regulation are fully recovered** – Under this option, regulatory fees would be set (effectively reduced) to only recover the regulatory and operational costs of marine safety (i.e. $11.4 million per annum representing TSV and EMV costs). The implication of this option is that there would be no funding available for improving boating facilities and infrastructure. Since raising revenue for the purposes of investing in boating facilities is one of the stated objectives of setting regulatory fees and aligns with the legislative amendments for the establishment of the Better Boating Fund to fund priority investments and facilities, DoT is not intending to consider this option in more detail.

The following sections outline each option under consideration and summarise what regulatory fees would look like under each high-level option.

### Option 1: Remake prescribed fees without change

The first option for consideration is to keep the status quo – the level of fee units specified for each and every defined fee would remain unchanged. Refer to Table 3-5 and Table 3-9 for currently prescribed recreational and commercial fees.

The evidence presented in Section 3 suggests that all recreational regulatory and operational costs ($11.4 million per annum) are currently being recovered through the revenue raised through recreational fees ($31 million per annum). There is, therefore, no need to increase fees in aggregate for the purposes of ensuring there is full cost recovery of the costs of regulatory services.

Note that analysis on the regulation of the ports and shipping sector shows that a significant portion of regulatory and operational costs ($1.13 million per annum) are not recovered through revenue from regulatory fees (approximately $52,000 per annum). This means that regulatory costs will be subsidised from general government taxation.

Based on the analysis in Section 3, under this option there would be $19.6 million per annum in revenue available for discretionary spending on priority capital and infrastructure investments. This amount of funding for discretionary spending may or may not be sufficient depending on how projects and investments are prioritised as part of the development of the Victorian Recreational Boating Strategy. At this stage, the development of the Strategy is still underway and there is still uncertainty around the timing of a confirmed set of priority investments to be funded from the Better Boating Fund.

### Option 2: Restructure fees to achieve full cost recovery for individual marine safety regulatory activities

This option would involve setting new fees and amending existing fees to better reflect the costs incurred by regulators in undertaking various activities related to marine safety laws. By introducing new fees and amending existing fees, a more efficient and equitable fee structure should be achieved and there should be a closer alignment and more transparent relationship between fees charged and costs incurred.

Priority areas for consideration and analysis include fees in relation to pilot services, local knowledge certificates, accredited training providers, and vessel registration processing. Legislative changes made as part of the Ports and Marine Legislation Amendment Act 2017 introduced regulation making powers in relation to a range of commercial certifications and qualifications. Prior to these amendments, it was not possible to implement any cost recovery arrangements in these areas. DoT intends to assess the merits and impact of introducing new fees in these areas.

Additionally, a comparison of the sources of revenue and cost items shows there are certain areas of recreational marine safety services that are achieving either significantly less or significantly more than full cost recovery. This suggests that the current fee structure may not be achieving efficiency and equity objectives as much as is possible under alternative fee structures. Therefore, it is intended to assess the impact of an option to restructure such regulatory fees.

The specific new fees and amendments to existing fees are further outlined and considered in Section 6.2.

### Option 3: Increase fees to generate more funding for future priority boating investments

One of the objectives of this exercise is to recover the cost of marine safety regulation. However, with the establishment of the Better Boating Fund, fee revenue from marine licensing and vessel registration may be used for boating safety initiatives or to improve infrastructure for boating facilities.

As identified in Section 3, $11.4 million must go towards funding TSV and EMV (for marine search and rescue). This means that approximately $19.6 million (representing 63 per cent) remains to be allocated for the purposes of improving boating infrastructure.

In 2017, DoT released the ‘Safe and Accessible Waterways’ discussion paper. In amongst other initiatives and measures, this discussion paper sought the community’s feedback on a proposal to increase regulatory fees in order to generate more funding for improvements to boating infrastructure and amenities. In general, there was support given to this proposal by stakeholders in submissions made to the consultation process for the discussion paper. However, this support was qualified on the basis that there was sufficient assurance given that the additional revenue was directed to those projects. The Better Boating Fund is intended to be the transparent mechanism to provide this assurance.

For the purpose of illustration, an increase of $21 in the BFSE fee for each registered vessel would increase the revenue available for the grant scheme by approximately $4.1 million per annum, thereby increasing the total amount of funding available for improving boating infrastructure to $23.7 million per annum.

This option only considers an increase in fees and does not include a restructure of fees to achieve full cost recovery in aggregate.

There are sub-options for further analysis and consideration. This primarily relates to how much additional revenue could be generated. In Section 6.3, two fee sub-options will be further discussed:

* increase all fees to generate an additional $1 million, $5 million and $10 million, and
* increase PWC-related fees.

## Consideration of sub-options for Option Two – restructuring fees

In implementing Option 2 (restructuring fees) there are a range of sub-options that need to be considered. These relate to:

* Option 2a: Introducing a vessel registration fee, in addition to the BFSE fee, to recover the costs of administration of vessel registrations.
* Option 2b: Varying the BFSE fee (and a vessel registration fee if sub-option implemented) by a factor other than the size of the vessel.
* Option 2c: New fees to recover the costs of administration of commercial qualifications (harbour masters, pilotage service providers, accredited training providers).

### Option 2a: Recovering the costs of administration for vessel registrations

As previously noted, there is currently no direct ‘vessel registration’ fee charged to recover the regulators’ costs in processing registration transactions for marine vessels. Instead, the BFSE fee is the only fee levied at the time of registration. Prior to the establishment of the Better Boating Fund, the revenue from the BFSE fee was used to fund investments and safety programs through the $5 million boating safety and facilities grants program and would contribute to the recovery of the regulator’s costs.

Under this sub-option, a new fee would be introduced to recover the administration costs associated with vessel registration. The fee amount would be set to recover the costs incurred by TSV under the SLA with VicRoads to process those transactions. The main benefit of this sub-option is that the costs of administering the vessel registration aspect of the Marine Safety Act and the Regulations would be transparent.

To ensure that vessel owners are not worse off, DoT could consider adjusting the BFSE fee (which is proposed to be retained) so that the BFSE fee is reduced by an amount that is equivalent to the new vessel registration fee. This would mean that a vessel owner would pay the same amount on registration as they currently do (subject to the regular indexation of fees). However, the invoice for the registration fees would clearly indicate the fee that is paid for administering the vessel registration and the fee that is paid for the purposes of recovering other regulatory costs and for the purposes of boating safety and facilities investments.

In 2019-20, the BFSE fee generated revenues of $14.1 million. As shown in Table 6-1, DoT has estimated that the costs of administering vessel registration total $1.32 million. Therefore, in order to implement this sub-option, a new vessel registration fee of $6.72 would be introduced and the BFSE fee would be decreased by 0.45 fee units. This would mean that $1.32 million is raised as part of the new fee and that the BFSE fee would raise $12.8 million ($1.32 million less than at current fee levels).

Table 6-1: Estimated annual revenue and costs under proposed new registration fees

| **Proposed fee item** | **VicRoads activity cost (per trans.)** | **VicRoads database costs (p.a.)** | **Total costs** | **Proposed fee in 2020-21$** | **Estimated number of trans. p.a.** | **Estimated annual revenue at proposed fee levels** | **Estimated annual costs** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Fee to register a vessel (all lengths) – One year (First Issue or Re-issue) | $20.12 | $1.20 | $21.32 | **$6.72** | 12,718 | $85,465 | $271,156 |
| Fee to renew a vessel registration (all lengths) – One year | $4.51 | $1.20 | $5.71 | **$6.72** | 184,407 | $1,239,215 | $1,052,962 |
| **Subtotal: New registration fee**  | **$1,324,118** | **$1,324,118** |

Under the SLA, VicRoads charges a different amount to TSV depending on whether the registration is a ‘new issue’ or a ‘renewal’ – new issues incur a higher activity cost. This is due to the higher administrative cost for VicRoads.

However, DoT is considering adopting a single new registration fee amount ($6.72) for all registrations (regardless of whether the transaction is a new issue or a renewal).

Charging a single annual fee (regardless of whether it is the first year of registration or a renewal) provides simplicity and transparency, enabling vessel owners to easily understand and plan for renewal charges each year, and enabling them to easily match up the reduction in their BFSE fee to the corresponding new registration fee on their registration documentation. This in turn allows vessel owners to clearly see what proportion of their fees go towards covering the cost of the registration transaction, and what proportion goes towards funding boating facilities and safety education programs.

Since a portion of the current fee would be specified in a dollar value rather than in fee units, that fee would not be automatically indexed over the life of the regulations (fees specified in fee units are adjusted by changing the amount of the fee unit each year by the Treasurer). Fees less than a single fee unit must be specified as a dollar value. The effect of implementing this option may be that the revenue does not keep up with the costs of delivering that service. Amendments to the regulations could be made from time to time to update this value in line with indexation.

For the purposes of creating new regulations, DoT proposes to average out the estimated gross direct cost (charged by VicRoads to TSV) by the estimated number of transactions (based on the average of transaction numbers over the past 5 years) to arrive at the amount for a single annual fee required to recover the costs of the registration transaction.

The drawback of this averaging method is that in the short term there is a trade-off in terms of equity– those who are just registering boats for the first time are not paying a sufficient fee to recover the costs incurred by their registration transaction (i.e. the $19.43 charged to TSV by VicRoads for a new registration). On the other hand, those renewing their vessels will pay a slightly higher fee (albeit only around $1 higher) than the level required to recover the cost incurred by their less complex renewal transaction (i.e. the $5.21 charged to TSV by VicRoads for a registration renewal).

However, in the long term, the equity concern would be reduced to the extent that over time the fees paid will average out, and the fees paid by vessel owners will match up with the full costs overall (assuming they maintain their vessel registration). In addition, the amount of the registration renewal fee is being offset by a corresponding reduction to their BFSE fee, so the existing owners whose renewal fees are slightly higher than the level required for cost recovery can be considered to be no worse off than the status quo anyway.

There is also a forecasting risk that variations in the volume of new registrations compared to renewals over time could also affect the level of cost recovery in the aggregate. DoT considers that there is a moderate likelihood this will occur, as it is very difficult to accurately forecast changes to the ratio of new issues vs. renewals in future years. However, DoT considers that over time the revenue generated from the fee will level out, and the proposed fee could be reviewed after a period of time to ensure that is achieving sufficient levels of cost recovery.

|  |
| --- |
| **Summary of Sub-option** |
| Introduce a vessel registration fee of $6.72 (equivalent to 0.45 fee units)ANDReduce the BFSE fee by 0.45 fee units |
| This would make the costs of administering the vessel registration scheme more transparent but not affect the total amount paid by vessel owners  |

### Option 2b: Varying the BFSE fee by a factor other than the size of the vessel

At present, the BFSE fee that is collected when vessels are registered is varied depending on whether vessels are greater than, or less than, 4 metres in length. There may be other fee structures available that better achieves the objectives of the exercise.

The decision to base the BFSE fee on whether the length of the vessel is less or greater than 4 metres, was made in the past to reduce the impact of the fee on low income earners. The presumption was that in general those that earned less income were more likely to own and register smaller vessels. This is a reasonable proposition, but there is no way of validating it with the information that is collected when vessels are registered (i.e. DoT does not have any data on the relationship between vessel size and vessel owner income). There is also a possibility that the relationship between boat size and vessel owner income may have changed over time, and there is currently limited means to measure that.

Another reason for charging persons with smaller vessels a smaller fee is that persons with smaller vessels may have less need to make use of the types of boating facilities that are provided using revenue generated by fees. The logic being that smaller vessels would be more likely to be launched and recovered from beaches, whereas larger vessels need specialist boat ramp facilities. However, prohibitions on beach access for vehicles can inhibit the launching of vessels on the beach. Evidence, collected by DoT and TSV, suggests that increasingly small vessels (such as the under 4m powered craft) are launched at boat ramps or formalised boat access points. These access points are likely to have received some form of infrastructure investment, and these benefits would be equally enjoyed by smaller vessels being launched there. The rise of PWC use has also complicated the assessment, with anecdotal evidence suggesting that PWC users launch from a range of locations, including directly from the beach, but also from boat ramps. Again, there is limited current data to accurately assess the extent to which these PWCs are benefiting from boating facilities. It is also worth noting here that in the case of vessel registrations there is a ‘fixed cost’ component to the regulatory effort required, namely the cost for VicRoads to process the registration transaction and maintain registration databases. This is the same regardless of the size of the vessel. The sub-option being considered in Section 6.2.1 suggests that a separate fixed fee could be used to recover this.

A further argument for charging smaller vessels less is that it may minimise the risk that the imposition of the fee will discourage compliance. This argument is again based on the proposition that those persons registering smaller vessels have less capacity to pay and are more likely to not register their vessels when confronted with a higher fee. Again, there is no conclusive data available to support this proposition. TSV’s *Boating Behaviour Survey* (March 2015)[[3]](#footnote-4) provided some evidence that recreational boaters would be willing to pay more for the BFSE fee if they could see a direct link to more infrastructure investment, however it is unclear whether these stated preferences are consistent with actual compliant behaviour (i.e. in itself these survey responses do not provide evidence that the respondents are currently contributing to infrastructure through BFSE fee payments).

Overall, DoT considers that there is merit in continuing with the current two-tiered fee structure for registering boats of either under or over 4 metres in length. DoT and TSV may conduct further research to collect data on how different boats of different sizes and classes are using boating facilities in Victoria – this may inform possible future changes to the current structure of the BFSE fee or a separate vessel registration fee. However, for the time being, DoT considers it appropriate to continue with the current structure for the BFSE fee. DoT welcomes stakeholder feedback on this issue.

|  |
| --- |
| **Stakeholder questions for comment:*** Do you support the continuation of the structure of Boating Facilities and Safety Education fee? If not, why? What is your preferred approach?
 |

### Option 2c: New fees to recover the costs of administration of commercial qualifications

Under the current Marine Safety Regulations, the following fees are set in respect of recovering the costs of administering commercial qualifications:

* Local Knowledge certificates – fees for the issue and renewal of a local knowledge certificate, examination fees and fees for the issue of a duplicate certificate
* Pilotage – application fees, fees for the issue of a pilot licence and the issue of a duplicate licence and examination fees
* Pilotage exemptions – application fees, fees for the issue of a pilot licence and the issue of a duplicate licence and examination fees
* Pilotage Service Providers – application fees for registration.

However, there are other commercial qualifications where there is no cost recovery, such as accredited training providers or harbour masters. The Ports and Marine Legislation Amendment Act 2017 introduced regulation making power to set fees to recover the costs of administering these qualifications and schemes. Prior to this Act being enacted it was not possible to recover such costs. For these qualifications, there are fee options for recovering the costs in regulation and administration, including setting fees for the issue of the licences or accreditations. There is also an option in setting annual fees to recover the costs associated with the regulation other than the costs associated with assessing an application.

There is also an opportunity to look at other cost recovery arrangements for the commercial qualifications that attract some regulatory fees, namely local knowledge certificates, pilotage and pilotage service providers. For this cohort of regulatory permissions only the costs attributable to specific activities are recovered and some indirect activities/costs are not recovered through regulatory fees. Accordingly, there is also an option to consider setting, for example, annual fees for these regulatory permissions.

Charging fees for qualification only on the basis of directly attributed costs (e.g. for specific transactions or events) can make sense from an equity perspective, as by charging lower fees to new entrants who are yet to earn the qualification, and hence not yet benefiting from the qualification (e.g. earning a high income), you reduce barriers to entry for that qualification.

For example, charging costs for pilot licence qualifications and the associated application fees at only the directly attributed cost level means that new entrant pilots who are yet to earn a pilot’s income (and thus do not necessarily have a capacity to pay high fees) are not charged at a full cost recovery level when applying for the qualification.

For local knowledge certificates and pilot exemptions, the individuals who are likely to bear the cost of any fee increase (or high fees set at a full cost recovery level) are the masters of local vessels, who are unlikely to be able to absorb the cost increase without significant financial impact, and may not be reimbursed for the attainment of the qualification. This would create a significant financial barrier to obtaining a local knowledge certificate or pilot exemption and could potentially undermine the local knowledge certificate and pilot exemption system. Thus, DoT considers it is more equitable in this case to charge on a direct cost recovery basis.

Not seeking to recover the full costs of regulating the ports and shipping sector would be economically inefficient in one sense, in that it means that (to a degree) the taxpayer will be subsidising these parties for the full cost of the regulatory service they receive for their qualification or registration.

In addition, charging fees only on the basis of directly attributed costs for certain groups and not for others is inequitable in a sense, because it means that these parties are not paying the full fee required to fully recover the costs of their qualification or registration – whereas those paying for other marine fees may be paying on a full cost recovery basis.

Overall, for the groups identified, DoT has formed an opinion that it will be more equitable to charge fees on a directly attributed cost basis. This will ensure that no unnecessary barriers to entry are created, and these qualification structures remain viable. Although this sub-option still entails some level of subsidisation by the taxpayer, DoT considers it is a more equitable and efficient option than the status quo overall.

## Consideration of sub-options for Option Three – increase fees to generate more funding for priority investments

One of the objectives of setting regulatory fees is to ensure there is funding for priority boating capital and infrastructure investments. There are several ways in which marine licensing and vessel registration fees could be adjusted or increased to generate more revenue. This revenue would go into the Better Boating Fund and could be spent on safety education programs, infrastructure investments etc.

In implementing Option 3 (increasing fees to generate more funding) there are two sub-options that DoT has considered. These are:

* Option 3a: Increase all fees to achieve targeted aggregate increase in revenue
* Option 3b: Increase aggregate revenue by increasing PWC-related fees.

Another option, which will not be further considered in detail, is to only increase the BFSE fee (and not adjust the marine licence fee), as the primary purpose of that fee is to raise revenue for facilities and safety education. The argument against this approach is that it may be inequitable as vessel owners would primarily fund the extra revenue generated for priority investments and marine licence holders would not contribute to the same proportion as they do now. Of course, a vessel owner may also be a holder of a marine licence, so it could be argued that it does not matter how the fee increases are structured. DoT also notes that, within a household that owns a single recreational vessel for example, there may also be multiple marine licence holders. These factors suggest it may be fairest to increase both marine licence fees and the BFSE fee (which is paid by the vessel owner).

Additionally, another available option is whether any increases to either marine licence fees or the BFSE fee should be proportionately equal or whether one should be higher than the other. In the absence of better information regarding the number of marine licences within a household, DoT considers it most appropriate that a proportionately equal increase be applied under Option 3a.

### Option 3a: Increase all fees to achieve targeted aggregate increase in revenue

In this sub-option, DoT considers the effects of applying a proportionate equal increase across all marine licensing and BFSE fees.

DoT is considering the sub-options of increasing these fees in order to generate an additional $1 million, $5 million and $10 million (referred to below as Sub-option 1, Sub-option 2 and Sub-option 3, respectively). There are a few ways of achieving this outcome to generate additional funding for the BBF. DoT considers that increases to marine licensing and endorsement fees or the BFSE fee may be the best way of implementing an increase in revenue.

Fees for the transactional components, such as booking a test for a marine licence should not be adjusted as these fees should be set to recover the cost of providing those services. On the other hand, fees upon vessel registration (via the BFSE fee) and the marine licensing fees already raise revenue above the costs of regulating recreational boating safety, and so it would be appropriate to continue to raise revenue for facilities and safety education in this manner.

Table 6-2 summarises the proposed fees under Sub-options 1, 2 and 3 to raise fees and the approximate aggregate revenue estimated to be raised under each sub-option. In order to achieve increases in revenue in the order of $1 million, the fees must rise by 2.9 per cent. Similarly, in order to raise an additional $5 million and $10 million, marine licence fees and the BFSE fee must increase by 14.4 per cent and 29.5 per cent, respectively.

Table 6-2: Proposed fees and aggregate revenue under Sub-options 1, 2 and 3 for Option 3a

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Current fees** | **Sub-Option 1****(Raise $1 million)** | **Sub-Option 2****(Raise $5 million)** | **Sub-Option 3****(Raise $10 million)** |
|  | **Fee (per year)** | **Estimated revenue** | **Fee (per year)** | **Estimated revenue** | **Fee (per year)** | **Estimated revenue** | **Fee (per year)** | **Estimated revenue** |
| General marine licence (5-year) | $37.03 (2.5 fee units) | $19,071,948 | $38.09(2.57 fee units) | $19,619,756 | $42.34(2.86 fee units) | $21,810,983 | $47.95(3.24 fee units) | $24,697,974 |
| Restricted marine licence (5-year) | $18.51 (1.25 fee units) | $241,125 | $19.04(1.29 fee units) | $248,051 | $21.17(1.43 fee units) | $21,810,983 | $23.97(1.62 fee units) | $42,168 |
| Endorsement – General licence (5-year) |  $5.10  | $1,582,530 | $5.25 | $1,627,985 | $5.83 | $1,809,806 | $6.60 | $2,049,360 |
| Endorsement – Restricted licence (5-year) |  $2.50  | $19,613 | $2.57 | $20,176 | $2.86 | $22,429 | $3.24 | $25,398 |
| BFSE fee – Vessel less than 4 metres | $42.94(2.9 fee units) | $3,464,009 | $44.18(2.98 fee units) | $3,563,506 | $49.12(3.32 fee units) | $3,961,495 | $55.62(3.76 fee units) | $4,485,855 |
| BFSE fee – Vessel larger than 4 metres | $89.60(6.05 fee units) | $10,435,860 | $92.17(6.22 fee units) | $10,735,611 | $102.47(6.92 fee units) | $11,934,615 | $116.03(7.83 fee units) | $13,514,330 |
| **Total revenue** |  | $34,815,085 |  | $35,815,085 |   | $39,815,083 |   | $44,815,085 |
| **% increase on current fees** |  |  |  | **2.9%** |  | **14.4%** |  | **29.5%** |

Notes on Table 6-2

1. The estimates of revenue for marine licences and endorsements are based on 5-year licences.
2. Transaction numbers are based on the average transactions over 5 years for each fee type, whereas the proposed fees are expressed on a per year basis.

### Option 3b: Increase PWC-related fees

Under this option, DoT has considered increasing fees for PWC-related registration and endorsements to increase aggregate revenue. There are currently two types of fees related to PWCs that are charged under the current Regulations:

* The fee for a 5-year PWC endorsement is $25.50. This fee is charged in addition to a 5-year marine licence fee of $185.12 if the holder of the marine licence wants to be able to operate a PWC. In 2019-20, the revenue from fees for general and restricted marine licence PWC endorsement was $1.34 million.
* The fee to register a PWC vessel is 2.9 fee units for each year for vessels under 4m in length and 6.05 fee units for each year for vessels over 4m in length. Given that PWCs make up approximately 12.5 per cent of registered recreational vessels, the 2019-2020 revenue from the BFSE fee from PWC registrations is estimated to be approximately $1.8 million.

There may be a case to consider increases in PWC endorsement fees or registration fees because there is significantly more compliance monitoring and enforcement in relation to PWCs compared to other vessels. TSV advises that a large proportion of their compliance monitoring and enforcement efforts are spent on intercepting vessels that are PWC – an estimated 5 out of every 8 on-water intercepts involve PWCs. TSV has assessed PWCs as high-risk recreational vessels, and therefore focus compliance monitoring and enforcement efforts on this cohort of vessel. Given that PWCs only make up a total of 12.5 per cent of total registered recreational vessels (as at 15 December 2020), TSV spend a disproportionate amount of resources on intercepting PWCs compared to other registered recreational vessels. Therefore, DoT will assess the merits of increasing fees relating to PWCs.

Overall, this option is a targeted approach to increasing revenue paid in the Better Boating Fund so that more funds are available for priority boating infrastructure investments.

Two sub-options are considered under Option 3b.

Sub-option 1 considers increasing PWC endorsement fees by 100 per cent (i.e. doubling the PWC endorsement fee). This fee increase will affect all people that are licensed to operate a PWC regardless of whether they own or use a PWC.

Sub-option 2 considers introducing a separate BFSE fee upon the registration of a PWC vessel. This fee will be a separate category to the other categories of BFSE fees payable upon vessel registration. This fee increase will only affect people that own a PWC.

Table 6-3 summarises Sub-options 1 and 2 to raise PWC-related fees and the approximate increase in aggregate revenue estimated under each sub-option. A doubling of the PWC endorsement fees (Sub-option 1) is estimated to increase aggregate revenue by $1.6 million per annum. An introduction of a separate PWC BFSE fee upon vessel registration of 5.8 fee units ($85.90) per year (Sub-option 2) is estimated to increase aggregate revenue by $1 million per annum. This proposed fee is double the current fee most PWC owners currently pay upon registration (since the majority of PWC vessels are less than 4m in length).

Table 6-3: Proposed fees and aggregate revenue under Sub-options 1 and 2 for Option 3b

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Current fees** | **Sub-option 1****(Double PWC endorsement fee)** | **Sub-option 2****(Double PWC BFSE fee)** |
|  | **Fee (per year)** | **Estimated revenue** | **Fee (per year)** | **Estimated revenue** | **Fee (per year)** | **Estimated revenue** |
| General marine licence (5-year) | $37.02 (2.5 fee units) | $19,071,948 | $37.03 (2.5 fee units) | $19,071,948 | $37.03 (2.5 fee units) | $19,071,948 |
| Restricted marine licence (5-year) | $18.51 (1.25 fee units) | $241,125 | $18.51 (1.25 fee units) | $241,125 | $18.51 (1.25 fee units) | $241,125 |
| Endorsement – General licence (5-year) |  $5.10  | $1,582,530 | **$10.20** | **$3,165,060** | $12.75 | $3,956,325 |
| Endorsement – Restricted licence (5-year) |  $2.50  | $19,613 | **$5.00** | **$39,225** | $6.25 | $49,031 |
| BFSE fee – Vessel less than 4 metres | $42.94(2.9 fee units) | $3,464,009 | $42.94(2.9 fee units) | $3,464,009 | N/A | N/A |
| BFSE fee – Vessel larger than 4 metres | $89.60(6.05 fee units) | $10,435,860 | $89.60(6.05 fee units) | $10,435,860 | N/A | N/A |
| BFSE fee – Vessel less than 4 metres (other than a PWC) | N/A | N/A | N/A | N/A | **$42.94****(2.9 fee units)** | **$2,425,545** |
| BFSE fee – Vessel larger than 4 metres (other than a PWC) | N/A | N/A | N/A | N/A | **$89.60****(6.05 fee units)** | **$10,399,751** |
| BFSE fee – All PWCs | N/A | N/A | N/A | N/A | **$85.90****(5.8 fee units)** | **$2,111,545** |
| **Total revenue** |  | $34,815,085 |  | $36,417,227 |  | $35,852,057 |
| **Increase on current fees** |  |  |  | $1,602,142 |  | $1,036,972 |

Notes on Table 6-3:

1. The estimates of revenue for marine licences and endorsements are based on 5-year licences.
2. Transaction numbers are based on the average transactions over 5 years for each fee type, whereas the proposed fees are expressed on a per year basis.

DoT notes that an increase in the endorsement fee for PWCs may have an effect on the uptake of PWC licence endorsements. The reason is that, based on TSV advice, a large proportion of licence holders also take up the PWC endorsement even if the licence holder does not directly own or use a PWC. An increase in the endorsement fee may result in a number of marine licence holders to forgo the PWC endorsement for their licence in future years because of the higher fees. This would mean that the aggregate revenue raised by increased fees for PWC-related fees may be less than what has been estimated. DoT is unable to quantify the size of this effect with the available data and information. However, the estimates presented in this RIS reflects the upper bound of revenue that would be raised under each of the sub-option.

# Impact assessment

This section assesses the impacts of the high-level options identified in Section 6. In order to assess the various options to recover the costs of administering the marine safety regulation and other operational costs, DoT will employ a multi-criteria analysis to compare the options against the base case.

## Methodology

### Summary of approach for multi-criteria analysis

Under a multi-criteria analysis, the various options under consideration are assessed against the base case and scored against specific criteria. Each criterion is given a weighting, and each option’s score for that criterion is adjusted based on this weighting. The sum of the weighted score represents the total score for that option. The option with the highest total score would represent the option most able to meet the objectives the proposed regulations.

DoT will compare fee options and score those options by reference to the base case to assess whether the expected outcome resulting from each option represents a positive or negative change relative to the base case.

### Criteria for assessment

The objectives of the proposed regulations are to achieve cost recovery and improve efficiency and equity outcomes. In furthering these objectives, DoT considers that it is important that improvements are not made at the expense of compliance and safety outcomes. Similarly, it is necessary to minimise negative impacts on small business and participation. Additionally, fees need to be set such that there is funding available for priority boating infrastructure investments.

DoT therefore believes that it is appropriate to consider the merits of the options referred to in this section by reference to the objectives outlined in Section 4:

* *Efficiency*: The extent to which the option promotes or improves the way the resources are allocated within the economy. This is generally achieved when the prices charged reflect the actual costs of service provision. In this case, regulatory fees need to reflect the cost of regulation to avoid the distortions associated with the recovery of costs from other marine stakeholders or from the general taxpayer.
* *Equity*: There are two types of equity. Vertical equity is the notion that those who are more able to pay fees or charges should contribute more than those who are not. Horizontal equity is achieved when individuals from the same group are charged the same amount (i.e. no discrimination).
* *Compliance and safety*: Minimising the impact on safety is one of the primary objectives of the regulations. If cost recovery and fee setting choices have negative impacts on compliance or reduce regulatory effectiveness, then it is reasonable to expect there may be negative impacts on safety outcomes.
* *Small business and participation*: In setting regulations, it is government policy to give specific consideration to the potential impacts of proposed regulations on small business. This criterion describes the effect of the option on small business and assess the nature and extent of the impact on small businesses. In the recreational boating sector, this criterion is to assess the effect of the regulatory fee option on participation in that sector.
* *Funding priority capital and infrastructure investments:* This means that regulatory fees should be such that the revenue received from those fees are greater than the regulatory and operational costs identified in Section 3 of this RIS. Investments that improves the amenity and accessibility of recreational boating are also able to be funded.
* *Feasibility:* This criterion reflects the feasibility of implementation of any change in fees by 1 July 2021, when the Better Boating Fund commences operation and when the remade Marine Safety (Fees) Regulations would come into effect. This criterion also takes into account how feasible it is to change the level and structure of fees in the context of the decision on the funding required for priority investments as part of the Victorian Recreational Boating Strategy, and the ease by which VicRoads is able to make necessary licensing and registration system changes by 1 July 2021.

Each criterion must be weighted. The criteria of efficiency and equity have been given greater weight as these criteria are the primary considerations for designing and setting fees.

A lesser weight will be attached to the compliance and safety criterion and small business and participation criterion. Regulatory fees are not directly intended to improve safety outcomes (that is the role of the underlying regulations) or improve small business and participation outcomes, but rather as a measure to recover the costs of regulations. DoT notes that there may be an indirect effect on safety if, for example, fees are set too high and there are unintended consequences where operators avoid regulatory obligations. Similarly, if fees are set too high, the impact of higher fees may disproportionally fall on small business or participation in the boating sector. Accordingly, the effect of fees on compliance and safety and small business and participation will be considered at a lower weighting.

The feasibility criterion is given a weighting between the weighting given to the efficiency and equity criteria and the other criteria (e.g. compliance and safety, small business and participation, and funding priority). The reason for giving this criterion this weighting is to reflect the importance of being able to implement an option under consideration and the time that is available to implement this option.

Fees are primarily to recover costs of the regulatory and operational costs of regulating the marine industry, so revenue raised above this amount directed towards discretionary spending on priority funding for boating facilities. This discretionary spending, while considered important for improvements to boating facilities, is secondary to the funds required to ensure the regulatory and operational costs of marine safety recovered. Thus, the finding priority is considered with a lower weighting also.

Table 7-1 summarises the proposed weights to be used for the fee analysis.

Table 7-1: Proposed criterion weights for multi-criteria analysis of fee options

|  |  |
| --- | --- |
| Criterion | Proposed weights |
| 1 | Efficiency | 25% |
| 2 | Equity | 25% |
| 3 | Compliance and safety | 10% |
| 4 | Small business and participation | 10% |
| 5 | Funding priority | 10% |
| 6 | Feasibility | 20% |

### Criteria scoring

For each fee option under consideration, a score will be assigned depending on the expected impact of the option on each of the criteria measured relative to the base case. A rating scale from -10 to +10 (as shown in Table 7-2 below) will be applied against each criterion.

The fee options will be compared and rated by reference to whether the expected outcome resulting from the option represents a positive or negative impact relative to the base case. To arrive at the weighted scores for each option, the raw scores will be multiplied by their allocated weighting to give a weighted score.

Table 7-2: Options assessment criteria ratings for fees

|  |  |
| --- | --- |
| Type of change | Range of possible scores |
| Negative impact  | -10 to -1 |
| Significantly worse than the base case | -10 |
| Moderately worse than the base case | -5 |
| No impact compared to the base case | 0  |
| Positive impact | +1 to +10  |
| Moderately better than the base case | +5 |
| Significantly better than the base case | +10 |

## Assessment of options

**Option 1 (status quo): Remake prescribed fees without changes**

Under Option 1, current regulatory fees would be remade.

*Efficiency*: DoT analysis in this RIS suggests that this option recovers all the regulatory and operational costs associated with marine safety. Therefore, efficiency under this option is considered better than the base case. However, certain areas of marine safety related regulatory services achieve significantly less than full cost recovery under this option. This suggests that the fee structure under Option 1 may not be achieving efficiency as much as is possible under alternative fee structures and is therefore only moderately better than the base case. For this reason, DoT scores this criterion +3.

*Equity*: This option charges a different BFSE fee based on whether the length of the vessel is less or greater than 4 metres. The presumption is that, in general, those that earn less income are more likely to own and register smaller vessels. DoT considers that this implements some level of vertical equity. Fees for marine licences and endorsements are fixed, and therefore may be less equitable if there are certain masters of vessels who have the ability to pay a higher fee. DoT scores this criterion +2.

*Compliance and safety*: Any form of cost recovery gives rise to the risks of non-compliance with regulatory requirements. While these risks should be minimised so far as is possible, DoT considers there is likely only a minor impact on compliance and safety compared to the base case if fees were to remain at the status quo. Current compliance and safety outcomes do not suggest that regulatory fees have a significant impact on this criterion. Therefore, DoT scores this criterion -1.

*Small business and participation*: DoT notes there is significant under recovery of regulatory costs in the ports and shipping sector. Additionally, current participation outcomes do not suggest that there is an impact of regulatory fees on small business Therefore, DoT scores this criterion 0.

*Funding priority*: DoT analysis in this RIS suggests there would be revenue available for discretionary spending after regulatory and operational costs are recovered through revenue raised through fees. Depending on how boating investments are prioritised as part of the development of the Victorian Recreational Boating Strategy, it is unclear whether this amount will be sufficient. However, on the whole, this option provides for at least some funding for priority boating investments and is considered moderately better than the base case. DoT scores this criterion +2.

*Feasibility*: Given this option does not change the fees from the status quo, this option can be implemented by 1 July 2021 without the need for any system changes to VicRoads’ registration and licensing system. For this reason, DoT scores this criterion +10.

**Option 2: Restructure fees to achieve full cost recovery for marine safety regulatory activities**

Under Option 2, DoT considered:

* Introducing a new registration fee for individual vessel owners that recovers the cost of processing registration transactions for marine vessel. This fee is proposed to be $6.72 per annum.
* Reducing the BFSE fee by the amount of the registration fee so that no individual boat owner is paying more than under the status quo. This fee is proposed to be 0.45 fee units less than current fee unit levels (i.e. 2.45 fee units for each year for recreational vessel up to an including 4m in length and 5.6 fee units for each year for recreational vessels for vessel over 4m in length).
* Introducing or adjusting fees for commercial qualifications on the basis of directly attributed costs of administrating the qualification.

*Efficiency*: This option will restructure fees to minimise the subsidy of regulatory activities by the general taxpayer. In particular, this option means costs may be recovered from parties not currently charged fees (such as for some commercial qualifications). Therefore, DoT expects there to be a significant improvement to the efficiency of cost recovery compared to the status quo. DoT scores this criterion +8.

*Equity*: Option 2 seeks to restructure fees to recover costs from regulated parties that previously had not contributed to the regulatory and operational costs related to marine safety, such that fees are based on the amount of regulatory effort required. Such fees would achieve the objective of horizontal equity (persons in similar situations pay similar fees). This option also seeks to continue the two-tier fee structure for registering boats of either under or over 4 metres in length, achieving some level of vertical equity. DoT scores this criterion +6.

*Compliance and safety*: Restructuring fees to achieve full cost recovery would imply an increase in fees for parties not previously required to pay fees, particularly for commercial qualifications. This may increase the risk of non-compliance by incentivising certain parties to not attain the required commercial qualification, thus impacting negatively on compliance and safety. However, DoT would not expect regulatory fees to have a significant impact but assesses there may be a minor negative impact on compliance and safety. Accordingly, DoT scores this criterion -1.

*Small business and participation*: Charging at full cost recovery levels for commercial qualifications, namely local knowledge certificates, pilotage, and pilotage service providers, may have some minor negative impacts on small business and possibly impede participation. In most cases the regulated parties that will be required to pay increased fees have a capacity to absorb or pass on fee increases. However, in at least one case (i.e. accredited training providers) it is foreseeable that an increase in fees will impact on the small businesses involved in providing services and, in turn, may impact on participation in the market. Therefore, DoT scores this criterion -1.

*Funding priority*: Restructuring fees to achieve full cost recovery primarily aims to better reflect costs incurred by the regulator in undertaking various activities related to administering marine safety laws. This option does not explicitly raise funds for spending on discretionary priority boating investments over that of what is generated under Option 1. The reason is that fees for marine licences and the BFSE fee (i.e. what is paid on vessel registration) are not changed under Option 2. Therefore, the impact of Option 2 on this criterion is the same as Option 1 and scores +2.

*Feasibility*: As this option will require some changes to VicRoads’ registration and licensing system, there will be some work needed to update the systems to reflect any changes in fees. Equally, TSV would require time to implement any regulatory fees affecting the ports and shipping sector. Therefore, it may not be feasible to implement these fees by 1 July 2021. DoT scores this criterion -1.

**Option 3a: Increase fees to generate more funding for future priority funding investments**

*Efficiency*: This option enables all the regulatory and operational costs associated with marine safety to be recovered through regulatory fees, noting that the revenue recovered above the regulatory costs would be made available for future priority boating investments. Therefore, as with Option 1, efficiency under this option is considered better than the base case. However, certain areas of marine safety related regulatory services, particularly in the ports and shipping sectors, achieve significantly less than full cost recovery under this option. This suggests that the fee structure under Option 3a may not achieve efficiency as much as alternative fee structures and is therefore only moderately better than the base case. For this reason, DoT scores this criterion +3.

Equity: Option 3a is similar to Option 1 in that it seeks to continue the two-tier fee structure for registering boats of either under or over 4 metres in length, achieving some level of vertical equity. DoT scores this criterion +2.

*Compliance and safety*: Increasing regulatory fees may incentivise regulated parties to avoid regulatory obligations, such as avoiding obtaining a marine licence or commercial qualifications. This may have negative consequences for compliance and safety as the regulator may be unable to validate whether a particular party is sufficiently qualified or competent to operate a vessel, for example. Since Option 3 would increase marine licensing and vessel registration fees, recreational boaters may respond by avoiding the licensing and registration process. If those persons were to participate in the recreation without the appropriate licences or registration then compliance monitoring and enforcement efforts could be impeded, which in turn could influence safety outcomes. Therefore, DoT scores this criterion -4.

*Small business and participation*: Similar to Option 1, DoT considers that the scale of the fees is not large suggesting that the impact on small business from fees recovered for commercial qualifications will be minimal compared to the base case. Option 3a seeks to increase fees in relation to all recreational boating. Depending on the extent of fee increases, participants of that recreation may choose to no longer participate. The higher fees imposed, the more likely and greater the response will be. This would be an undesirable outcome. Accordingly, DoT scores this criterion -4.

*Funding priority*: Increasing fees will have a positive impact on generating more funding for discretionary spending on priority boating investment. This option considers a range sub-option to increase aggregate revenue ($1 million, $5 million, $10 million). DoT considers raising an increase of $5 million in revenue as this increase in revenue is considered a proportional and balanced amount above the amount already over-recovered through existing fees (current over-recovery is estimated at $19.6 million per annum). DoT notes that a further assessment of this option would be needed once the budget envelope for investment is established. Accordingly, DoT scores this criterion +4 reflecting the moderate increase in revenue that could be raised in comparison to the range of revenue that could be raised under different fee levels.

*Feasibility*: Option 3a seeks to increase fees to generate more funding for priority investments under the Victorian Recreational Boating Strategy. At this stage, the development of the Strategy is still underway and so the set of priority investments to be funded from the Better Boating Fund is unknown. This means it is unknown what fee changes may be required to fund the set of priority investments, and therefore the feasibility of implementing fee changes is significantly limited. Accordingly, DoT scores this criterion -8.

**Option 3b: Increase aggregate revenue by increasing PWC-related fees**

*Efficiency*: This option over-recovers all the regulatory and operational costs associated with marine safety, with surplus funds for future priority funding investments. Therefore, efficiency under this option is considered better than the base case. However, as with Option 1, the fee structure under Option 3b may not be achieving efficiency as much as is possible under alternative fee structures and is therefore only moderately better than the base case. Given the increase in fees are targeted at PWC-related fees, the even greater level of over-recovery from the marine licensing sector suggests it is less efficient than Option 1. For this reason, DoT scores this criterion +2.

*Equity*: Option 3b seeks to restructure fees to recover more revenue from PWC owners or operators in comparison to Option 1. DoT considers that this is somewhat less equitable than option 1. Note that this option seeks to continue the two-tier fee structure for registering boats of either under or over 4 metres in length, achieving some level of vertical equity. DoT scores this criterion +1.

*Compliance and safety*: Similar to Option 3a, increasing regulatory fees may incentivise regulated parties to avoid regulatory obligations, such as avoiding obtaining a marine licence or commercial qualifications. This may have negative consequences for compliance and safety as the regulator is unable to validate whether a particular party is sufficiently qualified or competent to operate a vessel, for example. Since Option 3b would directly increase PWC-related fees, recreational boaters may respond by avoiding obtaining a PWC endorsement or registering their PWC. If those persons were to participate in the recreation without the appropriate registration or endorsement then compliance monitoring and enforcement efforts could be impeded, which in turn could influence safety outcomes. On the other hand, it is understood that many marine licence holders also have a PWC endorsement even though the licence holder does not use or own a PWC. Such licence holders may avoid obtaining or renewing their PWC endorsement if they do not use it. This would mean that the effect of fee increases on safety outcomes may not be that large. Therefore, DoT scores this criterion -2.

*Small business and participation*: Similar to Option 1, DoT considers that the scale of the fees is not large suggesting that the impact on small business from fees recovered for commercial qualifications will be minimal compared to the base case. Option 3b seeks to increase fees in relation to PWCs. Depending on the extent of fee increases, participants in the PWC sector may choose to no longer participate. The higher fees imposed, the more likely and greater the response will be. This would be an undesirable outcome. As flagged in the ‘Compliance and Safety’ criterion, changes in the uptake of the endorsement won’t be a reflection on actual PWC use as many licence holders typically obtain the endorsement even if the person does not use a PWC. Accordingly, DoT scores this criterion -4.

*Funding priority*: Increasing fees will have a positive impact on generating more funding for discretionary spending on priority boating investment. Accordingly, DoT scores this criterion +3 reflecting the moderate increase in revenue that could be raised in comparison to the range of revenue that could be raised under different fee levels.

*Feasibility*: Option 3b seeks to increase fees to generate more funding for priority investments under the Victorian Recreational Boating Strategy. At this stage, the development of the Strategy is still underway and so the set of priority investments to be funded from the Better Boating Fund is unknown. This means it is unknown what fee changes may be required to fund the set of priority investments, and therefore the feasibility of implementing fee changes is significantly limited. Accordingly, DoT scores this criterion -8.

## Summary

Table 7-3below provides a summary of the multi-criteria analysis.

Table 7-3: Summary of multi-criteria analysis for fee options

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Criterion 1(Efficiency)25% weighting | Criterion 2(Equity)25% weighting | Criterion 3(Compliance and Safety)10% weighting | Criterion 4 (Small business and participation)10% weighting | Criterion 5(Funding Priority)10% weighting | Criterion 6(Feasibility)20% weighting | Total |
|  | Raw  | Weight  | Raw  | Weight  | Raw  | Weight  | Raw  | Weight  | Raw  | Weight  | Raw  | Weight  |  |
| Option 1 (Status quo) | +3 | +0.75 | +2 | +0.5 | -1 | -0.1 | 0 | 0.0 | +2 | +0.2 | +10 | 2.0 | **3.35** |
| Option 2 (Fee restructure) | +8 | +2.0 | +6 | +1.5 | -1 | -0.1 | -1 | -0.1 | +2 | +0.2 | -1 | -0.2 | **3.30** |
| Option 3a (Raise $1m) | +3 | +0.75 | +2 | +0.5 | -4 | -0.4 | -4 | -0.4 | +4 | +0.4 | -8 | -1.6 | **-0.75** |
| Option 3b (Raise PWC fees) | +2 | +0.5 | +1 | +0.25 | -2 | -0.2 | -4 | -0.4 | +3 | +0.3 | -8 | -1.6 | **-1.15** |

Based on the analysis, the option which best promotes efficiency, compliance and safety, small business and participation, funding priority and is the most feasible is Option 1.

With respect to Option 2, DoT has undertaken an analysis of the costs of marine safety regulation based on the costs incurred during the 2019-20 financial year and also considered different sub-options for restructuring fees and levels. While Option 2 results in more efficient and equitable outcomes than Option 1, DoT is seeking feedback on any possible transition to restructure fees to achieve full cost recovery before any changes are made to fees. If Option 2 were adopted, consideration should be given to only recovering the directly attributed costs for commercial qualifications in order to minimise the impacts on small business and participation. Alternatively, fees could be varied between regulated parties to reduce these impacts.

The level of fee increases to generate more funding is dependent on the desired level of funding for boating investments (Option 3a). The amount of funding that is needed is being determined at the same time this RIS and draft regulations are being developed. As investment priorities are yet to be determined, the additional aggregate amount of revenue that is needed is also unknown. For this reason, DoT is not recommending any fees increases at this stage. The fee options are provided for reference.

When funding priorities are known, DoT can engage with the community to consider the merits of different fees to raise additional revenue. As with Option 2, when restructuring fees, consideration should be given to only recovering the directly attributed costs for commercial qualifications in order to minimise the impacts on small business and participation. Alternatively, fees could be varied between regulatory parties to reduce these impacts.

|  |
| --- |
| **Stakeholder questions for comment:*** Do you agree that the range of feasible high-level options have been identified for consideration? If not, what other options should be considered?
* Do you support the assessment of options in the multi-criteria analysis? If not, why? How would you score and weight each criterion for each option presented?
* Do you agree that maintaining the current structure and level of cost recovery – as under Option 1 – is the best option? If not, why? What is your preferred option?
* Option 2 proposes to restructure fees to achieve full cost recovery for marine safety regulatory activities. If Option 2 were adopted, how should the transition to restructure fees to achieve full cost recovery be achieved?
* If Option 2 were adopted, how could fees be varied between commercial qualifications to reduce impacts on small business and participation?
* Option 3a proposes to increase all recreational marine licensing and vessel registration fees to generate more funding for boating facilities. Do you think this option is appropriate for increasing revenue? If so, how much extra revenue do you think this option should raise?
* Option 3b proposes to increase PWC-related fees. Do you think this option is appropriate for increasing revenue? Do you have a preferred sub-option to raise PWC-related fees?
 |

# Preferred options

## Summary of the preferred option

The proposed recreational marine licence and vessel registration fees are outlined in Table 8-1 below.

Table 8-1: Proposed marine licence and vessel registration fees

|  |
| --- |
| **Victorian vessel registration fees** |
|  | **Current fee** | **Proposed fee** | **Change** |
| **Service** | **Fee** | **Fee ($)** | **Fee** | **Fee ($)** |  |
| Boating Facilities and Safety Education fee (first issue or renewal) – recreational vessels with engine, up to 4 metres long | 2.9 fee unitsfor each year | $42.94 | 2.9 fee unitsfor each year | $42.94 | 0% |
| Boating Facilities and Safety Education fee (first issue or renewal) – recreational vessels with engine > 4 metres long | 6.05 fee unitsfor each year | $89.60 | 6.05 fee unitsfor each year | $89.60 | 0% |
| Transfer of registration | 1.28 fee units | $18.95 | 1.28 fee units | $18.95 | 0% |
| Special identification plate (dealer plate) | 1.28 fee units | $18.95 | 1.28 fee units | $18.95 | 0% |
|  |  |  |  |  |  |
| **Victorian marine licence fees** |
|  | **Current fee** | **Proposed fee** | **Change** |
| **Service** | **Fee** | **Fee ($)** | **Fee** | **Fee ($)** |  |
| Marine licence | 2.5 fee unitsfor each year | $37.02 | 2.5 fee unitsfor each year | $37.02 | 0% |
| PWC endorsement for a marine licence | $5.10for each year | $5.10 | $5.10for each year | $5.10 | 0% |
| Restricted marine licence | 1.25 fee unitsfor each year | $18.51 | 1.25 fee unitsfor each year | $18.51 | 0% |
| PWC endorsement for a restricted marine licence | $2.50for each year | $2.50 | $2.50for each year | $2.50 | 0% |
| Replacement marine licence | 1.56 fee units | $23.10 | 1.56 fee units | $23.10 | 0% |
| Search and certificate from operator marine licence records | $6.60 | $6.60 | $6.60 | $6.60 | 0% |
| Marine licence knowledge computer test | 1.95 fee units | $28.87 | 1.95 fee units | $28.87 | 0% |
| PWC endorsement computer test | 1.95 fee units | $28.87 | 1.95 fee units | $28.87 | 0% |
| *Both* marine licence & PWC endorsement combined computer test | 1.95 fee units | $28.87 | 1.95 fee units | $28.87 | 0% |

The proposed commercial qualification fees are outlined in Table 8-2 below.

Table 8-2: Proposed fees for commercial qualifications

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Current fee** | **Proposed fee** |  |
|  | **Fee** | **Fee ($)** | **Fee** | **Fee ($)** | **Change** |
| **Local knowledge certificate** |  |  |  |  |  |
| Fee for issue or renewal of certificate of local knowledge | 4.6 fee units | $68.12 | 4.6 fee units | $68.12 | 0% |
| Fee for issue of duplicate certificate of local knowledge | 4.6 fee units | $68.12 | 4.6 fee units | $68.12 | 0% |
| Written examination | 3.34 fee units | $49.46 | 3.34 fee units | $49.46 | 0% |
| Oral examination | 6.7 fee units | $99.22 | 6.7 fee units | $99.22 | 0% |
| **Pilot licence** |  |  |  |  |  |
| Fee for application for issue of pilot licence | 1.54 fee units | $22.80 | 1.54 fee units | $22.80 | 0% |
| Fee for issue of pilot licence | 4.6 fee units | $68.12 | 4.6 fee units | $68.12 | 0% |
| Fee for duplicate of pilot licence | 4.6 fee units | $68.12 | 4.6 fee units | $68.12 | 0% |
| **Examination fees for pilot licences** |  |  |  |  |  |
| Port of Melbourne waters, Port of Hastings waters, declared port waters of the Port of Portland, and declared port waters of the Port of Geelong | 105.5 fee units | $1,562.45 | 105.5 fee units | $1,562.45 | 0% |
| Port of Melbourne waters, declared port waters of the Port of Portland, and declared port waters of the Port of Geelong | 84.45 fee units | $1,250.70 | 84.45 fee units | $1,250.70 | 0% |
| Port of Melbourne waters, Port of Hastings waters and declared port waters of the Port of Geelong | 84.45 fee units | $1,250.70 | 84.45 fee units | $1,250.70 | 0% |
| Port of Melbourne waters and declared port waters of the Port of Geelong | 63.3 fee units | $937.47 | 63.3 fee units | $937.47 | 0% |
| Port of Melbourne waters and Port of Hastings waters | 63.3 fee units | $937.47 | 63.3 fee units | $937.47 | 0% |
| Port of Melbourne waters and declared port waters of the Port of Portland | 63.3 fee units | $937.47 | 63.3 fee units | $937.47 | 0% |
| Declared port waters of the Port of Portland and Port of Hastings waters | 42.2 fee units | $624.98 | 42.2 fee units | $624.98 | 0% |
| Declared port waters of the port of Geelong and Port of Portland | 42.2 fee units | $624.98 | 42.2 fee units | $624.98 | 0% |
| Port of Hastings waters and declared port waters of the Port of Portland | 42.2 fee units | $624.98 | 42.2 fee units | $624.98 | 0% |
| Port of Melbourne waters (both channels) | 42.2 fee units | $624.98 | 42.2 fee units | $624.98 | 0% |
| Port of Melbourne waters (one channel) | 24.75 fee units | $366.54 | 24.75 fee units | $366.54 | 0% |
| Declared port waters of the port of Geelong | 24.75 fee units | $366.54 | 24.75 fee units | $366.54 | 0% |
| Port of Hastings waters | 24.75 fee units | $366.54 | 24.75 fee units | $366.54 | 0% |
| Declared port waters of the port of Portland | 24.75 fee units | $366.54 | 24.75 fee units | $366.54 | 0% |
| **Pilot exemption** |  |  |  |  |  |
| Fee for application for issue of pilot exemption | 1.54 fee units | $22.80 | 1.54 fee units | $22.80 | 0% |
| Fee for application for renewal of pilot exemption | 1.54 fee units | $22.80 | 1.54 fee units | $22.80 | 0% |
| Fee for issue or renewal of pilot exemption | 4.6 fee units | $68.12 | 4.6 fee units | $68.12 | 0% |
| Fee for duplicate of pilot exemption | 4.6 fee units | $68.12 | 4.6 fee units | $68.12 | 0% |
| **Examination fees for pilot exemption** |  |  |  |  |  |
| Port of Melbourne waters, Port of Hastings waters, declared port waters of the Port of Portland, and declared port waters of the Port of Geelong | 105.5 fee units | $1,562.45 | 105.5 fee units | $1,562.45 | 0% |
| Port of Melbourne waters, declared port waters of the Port of Portland, and declared port waters of the Port of Geelong | 84.45 fee units | $1,250.70 | 84.45 fee units | $1,250.70 | 0% |
| Port of Melbourne waters, Port of Hastings waters and declared port waters of the Port of Geelong | 84.45 fee units | $1,250.70 | 84.45 fee units | $1,250.70 | 0% |
| Port of Melbourne waters and declared port waters of the Port of Geelong | 63.3 fee units | $937.47 | 63.3 fee units | $937.47 | 0% |
| Port of Melbourne waters and Port of Hastings waters | 63.3 fee units | $937.47 | 63.3 fee units | $937.47 | 0% |
| Port of Melbourne waters and declared port waters of the Port of Portland | 63.3 fee units | $937.47 | 63.3 fee units | $937.47 | 0% |
| Declared port waters of the Port of Portland and Port of Hastings waters | 42.2 fee units | $624.98 | 42.2 fee units | $624.98 | 0% |
| Declared port waters of the port of Geelong and declared port waters of the Port of Portland | 42.2 fee units | $624.98 | 42.2 fee units | $624.98 | 0% |
| Port of Hastings waters and declared port waters of the Port of Portland | 42.2 fee units | $624.98 | 42.2 fee units | $624.98 | 0% |
| Port of Melbourne waters (both channels) | 42.2 fee units | $624.98 | 42.2 fee units | $624.98 | 0% |
| Port of Melbourne waters (one channel) | 24.75 fee units | $366.54 | 24.75 fee units | $366.54 | 0% |
| Declared port waters of the port of Geelong | 24.75 fee units | $366.54 | 24.75 fee units | $366.54 | 0% |
| Port of Hastings waters | 24.75 fee units | $366.54 | 24.75 fee units | $366.54 | 0% |
| Declared port waters of the port of Portland | 24.75 fee units | $366.54 | 24.75 fee units | $366.54 | 0% |
| **Pilotage service provider** |  |  |  |  |  |
| Application for registration as a pilotage services provider | 13.5 fee units | $199.93 | 13.5 fee units | $199.93 | 0% |

## Impact on small business

The imposition of regulatory fees may have a specific impact on small businesses. Some small business impacts have been identified as part of the impact analysis undertaken in Section 7 of this RIS. This section summarises the impacts of the preferred fees on small business as identified throughout this RIS.

Recreational boating

The regulatory fees that affect the recreational boating sector are not expected to have an impact on small business, because, by definition, it does not directly impact small businesses. However, to the extent that regulatory fees affect participation in recreational boating as a hobby, there may be some minor indirect impact on businesses that provide ancillary services to recreational boaters. For example, retail premises offering goods and services (e.g. equipment, fuel, and maintenance) may be affected if there is less participation in the sector.

However, research and consultation conducted by DoT and TSV over time indicates that recreational boaters may be willing to pay higher licensing and registration fees if it were guaranteed that the extra revenue would be redirected back into improving facilities. This could imply that recreational boaters are not that sensitive to the level of regulatory fees. Further, it is not proposed to adjust fees as part of this exercise and instead it is proposed to maintain fee structures and levels.

Therefore, DoT does not expect that the preferred option will have an impact on small business in relation to the recreational boating sector.

Commercial boating

The regulatory fees are expected to have minimal impact on small business in the commercial ports and shipping sector.

The primary small business impact to consider is that on pilotage service providers. It is expected that established pilotage service providers will be able to absorb the fees without detriment to their competitiveness. DoT considers the fee level of pilotage service providers to be relatively minor in scale and that the established businesses are of a sufficiently large size (more than 20 employees and with significant revenue) so that the effect of maintaining fees at current levels will be negligible. It is also expected that the fee levels will not have significant impact on new entrants for pilotage service providers.

Other ports and shipping fees are fees for commercial qualifications (e.g. local knowledge certificates or pilot licences) and so are taken up by masters of vessels or individuals pilots working under a pilotage service provider. Therefore, these fees do not directly affect small businesses. To the extent that masters of domestic commercial vessels or international vessels work for small businesses, DoT considers the effect of fees on those businesses to be minor given the size of those fees.

## Statement of compliance with National Competition Policy

### Background

The National Competition Policy agreements set out specific requirements arising out of new legislation adopted by jurisdictions which are party to those agreements. Clause 5(1) of the Competition Principles Agreement sets out the basic principle which must be applied to both existing legislation under the legislative review process, and to proposed legislation:

*The guiding principle is that legislation (including Acts, enactments, Ordinances or Regulations) should not restrict competition unless it can be demonstrated that:*

*(a) The benefits of the restriction to the community as a whole outweigh the costs; and*

*(b) The objectives of the regulation can only be achieved by restricting competition.*

Clause 5(5) provides a specific obligation on parties to the agreement with regard to newly proposed legislation:

*Each party will require proposals for new legislation that restricts competition to be accompanied by evidence that the restriction is consistent with the principle set out in sub-clause (1).*

Therefore, all RISs must provide evidence that the proposed regulatory instrument is consistent with these National Competition Policy obligations. The Organisation for Economic Co-operation and Development (OECD) Competition Assessment Toolkit provides a checklist for identifying potentially significant negative impacts on competition in the RIS context. This is based on the following four questions:

* Does the proposed regulation limit the number or range of suppliers?
* Does the proposed regulation limit the ability of suppliers to complete?
* Does the proposed regulation limit to the incentives for suppliers to compete?
* Does the proposed regulation limit the choices and information available to consumers?

According to the OECD, if all four of these questions can be answered in the negative, it is unlikely that the proposed regulations will have any significant negative impact on competition and further investigation of competition impacts is not likely to be warranted.

### Assessment

From DoT’s analysis, the proposed regulations do not limit the number or range of suppliers, limit the ability of suppliers to compete, or reduce the incentive of suppliers to compete vigorously. Insofar as there are unlikely or minimal impacts on competition, DoT considers that the objectives of the Regulations can only be achieved by restricting competition and that the benefits as whole to the community outweigh the costs. Table 8-3 provides a more detailed competition analysis.

Table 8-3: Detailed competition analysis of proposed regulations

|  |  |  |
| --- | --- | --- |
| **Test question** | **Assessment** | **Reason** |
| Is the proposed measure likely to affect the market structure of the affected sector(s) – i.e. will it reduce the number of participants in the market, or increase the size of incumbent firms?  | Minimal | The small scale of the fees for the commercial sector are such that the impact on small business from fees recovered for commercial qualifications will be minimal. This will therefore have a minimal impact on the market structure or participation. |
| Will it be more difficult for new firms or individuals to enter the industry after the imposition of the proposed measure?  | Minimal | The marginal impact of fees on commercial qualifications implies that any impact on market entry will be minimal. |
| Will the costs/benefits associated with the proposed measure affect some firms or individuals substantially more than others (e.g. small firms, part-time participants in occupations etc.)?  | Unlikely | While the fees imposed do not cover all commercial qualifications, the fees that do apply in the commercial sector will have a marginal impact and therefore it is unlikely costs will disproportionately affect some sectors more than others.  |
| Will the proposed measure restrict the ability of businesses to choose the price, quality, range or location of their products?  | No | The proposed commercial qualification fees do not impact product choices. |
| Will the proposed measure lead to higher ongoing costs for new entrants that existing firms do not have to meet?  | No | Given there is no change in the proposed fees for commercial qualifications, the costs imposed on new entrants will be the same as existing industry participants.  |
| Is the ability or incentive to innovate or develop new products or services likely to be affected by the proposed measure?  | Unlikely | The scale of the fees for the commercial sector are such that the impact on small business from fees recovered for commercial qualifications will be minimal. Therefore, the proposed fees are unlikely to impede the ability or incentives of the commercial sector to innovate or develop new products or services.  |

# Implementation

## Transitioning to the new regime

Subject to the outcomes of consultation, it is intended that the new fee Regulations will come into effect from 1 July 2021. The proposed new fees will be a continuation of the current regulatory fees. As such no changes to VicRoads’ system nor TSV’s system would be required.

Although this RIS does not propose changes to the regulated fees, in the event that there were changes to regulatory fees (e.g. following stakeholder consultation and feedback), the following system changes would be required:

* VicRoads, in its capacity as service provider to TSV, would be responsible for making any system changes that are necessary to implement changes to licence and registration fees. DoT would work with VicRoads to assess the feasibility, resources and time required to implement any system changes. If the necessary system changes are not able to be completed in time to facilitate the introduction of the updated fees by the commencement of the new fees, DoT would seek to take necessary measures to extend any fees which cannot be updated in the short term. In this instance, DoT and VicRoads would communicate clear timelines to the public on when fees will be changing.
* VicRoads would also be responsible for updating its website and public information materials to reflect changes to fees.
* To implement changes to existing qualification fees under the Regulations, TSV would be responsible for making the necessary system changes. TSV would be responsible for updating its website and any public information materials to reflect any changes. TSV would also be responsible for any communications to affected persons holding a qualification or regulatory permission, the public, and any relevant industry associations.

## Communications with regulated entities

TSV and VicRoads will all play roles in ensuring that the prescribed fees are adequately communicated to marine stakeholders including, marine licence holders, owners of registered vessels, pilots, pilotage service providers, masters of vessels that require local knowledge or hold exemptions from pilotage.

A number of different communication channels will be used, for example, websites, social media, mail outs, in person discussions and through industry associations where appropriate.

The objective is to ensure that all stakeholders are adequately informed of the decision arising out of the remake of the fee regulations.

## Approach to compliance

The proposed regulations do not change the scope of matters the regulator, TSV, and other enforcement agencies are responsible for administering or enforcing. Given this, it is not anticipated that the approach to be taken to implementation will differ significantly from current practices.

VicRoads will continue to hold responsibility for collecting fees related to licences and vessel registrations under the Regulations, including renewals.

TSV will continue to hold responsibility for collected fees related to commercial qualifications under the Regulations, including pilot licences, pilotage exemptions, and local knowledge certificates.

TSV will continue to be responsible for enforcing compliance and ensuring that all waterway users hold the correct qualifications, certificates, and registrations.

# Evaluation Strategy

As part of good practice, it is important to regularly review regulation to assess whether regulation is the appropriate intervention and whether it is meeting their objectives. An evaluation strategy is a strategy that outlines the way that the proposed regulations will be reviewed.

## When and how will an evaluation be conducted

DoT will be the organisation to conduct an evaluation of the fee regulations.

The *Subordinate Legislation Act 1994* provides for the automatic revocation (or sunsetting) of regulations after ten years of operation. In addition, the Act requires that regulatory impact statements are prepared and that there is appropriate public consultation undertaken to provide the community with an opportunity to comment when regulations are proposed to be made. The sunset of regulations, therefore, mandates that a review of those regulations be undertaken within 10 years of the making of those Regulations. Therefore, DoT will commence the review the fee regulations 12 to 18 months before the sunset of the fee regulations.

In addition to this review, DoT will be monitoring outcomes as part of mandatory reporting for the Better Boating Fund. The first report will be prepared 12 months after the commencement of the Fund (1 July 2021). If there are any significant issues identified as part of that report, DoT may conduct an evaluation of the regulatory fees to assess whether the objectives are being met and whether alternative approaches should be adopted.

## Performance indicators

Section 4 of this RIS outlined the objectives of setting regulatory fees. Performance indicators should be determined and used to assess whether those objectives have been met. The objectives are to:

* Ensure efficient and equitable cost recovery
* Minimise any negative impact on safety, small business and participation
* Fund priority capital and infrastructure investments.

DoT proposes to use the following performance indicators as part of an evaluation of the proposed fee regulations:

* *Aggregate levels of costs incurred by TSV and EMV* – to track how costs may be increasing or decreasing over time. All else equal, higher (lower) costs over time will mean that there will be less (more) available for infrastructure investment or safety education programs. Significant departures from costs estimated in this RIS, may warrant further analysis to understand the nature of the differences.
* *Changes in the profile of costs incurred by the relevant organisations* – this indicator will highlight whether there are any new costs incurred by regulators or search and rescue organisations or whether any costs are saved as a result of reforms or system or process changes implemented the regulator. For example, there may be new initiatives or reforms implemented in the Marine Safety Act or the Regulations during the lifetime of the fee regulations. These reforms or initiatives could require additional resources for compliance monitoring and enforcement which would change the costs incurred in regulation. This could mean changes to existing fees or creation of new fees. On the other hand, improvements made to service delivery efficiency could lead to decreases in costs.
* *the number of transactions conducted or processed by TSV and VicRoads in respect of both recreational boating regulation and ports and shipping regulation* – this metric would track the participation in both sectors. Changes in participation may provide some insight into how surplus revenue should be spent on recreational boating facilities.
* *the aggregate fee revenue collected for all fees prescribed in regulation* – This metric is directly related to the previous metric. Aggregate fee revenues dictate the amount of funding that is available to fund the costs of regulation and the amount that is available for priority investments. An increase in participation in the recreational boating sector would make more funding available for priority boating infrastructure investments.
* *Safety outcomes in respect of the recreational sector and the ports and shipping sector* – increases in fatalities or serious injuries in both sectors may warrant increased compliance monitoring and enforcement efforts. This in turn may lead to an increase in costs. On the other hand, improvements in safety may lead to alternative approaches to compliance monitoring or enforcement, which may have different costs for the regulator.

## Data

### Baseline data used in the RIS

The data used to inform the preparation of this regulatory impact statement was drawn from a number of sources, including:

* Financial records of TSV and EMV (in respect of the marine search and rescue function)
* Transaction records maintained by TSV
* Industry data maintained by TSV
* VicRoads registration and licensing database and transaction records
* Background data in relation to industry data was drawn from TSV database.

### Data used to inform performance indicators

To inform whether annual revenues continue to offset aggregate annual costs, data is needed to assess the relationship between prescribed fees under the Regulations and marine safety services delivered by government regulators. This data is derived from:

* analysis of DoT and TSV financial records
* analysis of data from the VicRoads licensing and vessel registration database
* quantitative and qualitative assessments in conjunction with TSV officers of the amount of resources which can be attributed to administering transactions and overseeing and auditing the various activities under the Regulations.

The baseline year for assessing this performance indicator is 2019-20 (as per the analysis in this RIS).

As part of the establishment of the Better Boating Fund, the legislation requires that DoT publish a financial report that outlines:

* the total amount of money paid into the BBF
* the total amount of money paid out of the BBF
* the purposes and allocation of any money paid out of the BBF, including:
	+ descriptions of projects or programs
	+ the location of a facility if it has been established, upgraded, maintained or repaired
* the total amount of money in the BBF that is carried forward into the next financial year
* the total amount of fees received for:
	+ the registration, renewal and transfer of registration of recreational vessels
	+ the grant, renewal and endorsement of marine licences.

As similar data will need to be collected for the purposes of the mandatory reporting, DoT will also use this data collected over time to inform its evaluation of the regulatory fees.

## Areas of improvement for data

### Data on use of infrastructure

DoT plans to conduct further research to collect current data on how different boats of different sizes and classes are using boating facilities in Victoria – this may inform possible future changes to the current structure of the BFSE fee or a vessel registration fee.

### Cost data

As discussed earlier in the RIS, DoT will work with TSV to periodically examine the cost base for the regulatory activities which relate to the prescribed fees. As part of this process, it will be important to examine whether the cost base for activities is efficient. Regulators will examine if there are any potential options to:

* reduce corporate costs and overheads,
* reduce transaction administration costs (which may include examining the tasks required for each transaction and whether staff at the right level are performing the right tasks), and
* improve the efficiency of processes and tasks related to providing regulatory services, including by examining the extent to which risk-based approaches are used and the appropriateness of such risk-based approaches.

This analysis will inform the assessment of whether the cost base for regulatory fees under the Marine Safety Act and regulations is efficient. Any cost savings would be translated into lower fees where appropriate.

### Injury and incident data

Although data on injury and incidents does not directly inform the level at which fees are set, it indirectly impacts prescribed fees by providing feedback to regulators on the size and nature of the residual safety problem to be addressed, and on the effectiveness of their regulatory interventions.

DoT and TSV are seeking to establish improved access to emergency presentations and hospital admissions data. Access to this data is needed to provide a more complete picture of the number of incidents resulting in serious and less serious injuries and the types of vessels involved.

# Consultation

A range of consultation has been undertaken as part of the development of the proposed fee regulations.

Consultation was undertaken with representative groups as part of the passage of the Bill to implement the Better Boating Fund through Parliament. This included the Boating Industry Association of Victoria, VRFish, and Yachting Australia.

To further understand Victoria’s boating priorities for facilities and infrastructure investment, the Minister for Fishing and Boating established the Ministerial Boating Round Table with representatives from across government and the boating sector. Sector representatives includes those from the angling, watersports, sailing and personal watercraft communities, as well as the boating industry, marine search and rescue, boating facility managers, boat ramp user, waterway manager and local government. This consultation also consisted of face-to-face drop-in consultations session across regional Victoria in early 2021, supported by an online survey.

## Next steps

Stakeholders are invited to make formal submissions or comments on the RIS and the proposed regulations. Submissions may present analysis of alternative options and recommend changes to the proposed regulations.

Submissions are required to be made in writing and submitted on [Engage Victoria](https://engage.vic.gov.au/). Submissions must be provided on or before 10 June 2021.

After the consultation period, DoT will consider all feedback received from stakeholders and the community and consider whether any changes to the proposed regulations are required. DoT will make recommendations to the Minister about the final form and content of the regulations for the Minister to make the final decision.

A public notice on the Minister’s decision will be made, with the new regulations proposed to commence by mid-2021.

Authorised by the Hon. Melissa Horne MP

Department of Transport, 1 Spring Street Melbourne Victoria 3000

© Copyright State of Victoria, Department of Transport 2021

Except for any logos, emblems, trademarks, artwork and photography this document is made available under the terms of the Creative Commons Attribution 3.0 Australia license.

1. Personal watercrafts (PWCs) includes jet skis, wave runners and similar vessels that have an engine used for propulsion, fully enclosed hull, do not retain water and are operated by standing, kneeling or sitting astride. [↑](#footnote-ref-2)
2. https://www.dtf.vic.gov.au/sites/default/files/2018-01/Cost-Recovery-Guidelines-Jan2013\_0.pdf [↑](#footnote-ref-3)
3. <http://transportsafety.vic.gov.au/maritime-safety/newsroom/victorian-boating-behaviour-report> [↑](#footnote-ref-4)