

Ms Kirsten Shelley  
Deputy Secretary, Water and Catchments  
Department of Energy, Environment and Climate Change  
Level 11  
8 Nicholson Street  
East Melbourne VIC 3002

20 March 2024

Dear Ms Shelley,

**REGULATORY IMPACT STATEMENT FOR THE WATER (LAKE EILDON RECREATIONAL AREA) (HOUSEBOATS) REGULATIONS 2024.**

I would like to thank your staff at the Department of Energy, Environment and Climate Action (the Department) for working with the team at Better Regulation Victoria on the preparation of the Regulatory Impact Statement (RIS) for the Water (Lake Eildon Recreational Area) (Houseboats) Regulations 2024 (the proposed Regulations).

As you know, the Commissioner for Better Regulation Victoria is required to provide independent advice on the adequacy of the analysis provided in all RISs in Victoria. A RIS is deemed to be adequate when it contains analysis that is logical, draws on relevant evidence, is transparent about any assumptions made, and is proportionate to the proposal's expected effects.

I am pleased to advise that the final version of the RIS received by us on 20 March 2024 meets the adequacy requirements set out in the *Subordinate Legislation Act 1994*.

**Background and Problems**

Located in northern Victoria, Lake Eildon is the state's largest water storage, which supplies water to the surrounding region, primarily for irrigation purposes. The Lake and the surrounding national park are also a popular destination for tourism and recreation, including houseboating. Lake Eildon is the only inland waterway in Victoria where houseboating is permitted. Houseboating has taken place at Lake Eildon since the 1960s and has been regulated since the 1970s to manage potential risks to human health and the environment.

Commissioner for Better Regulation

The RIS explains that houseboating on Lake Eildon supports a significant local industry related to the construction, maintenance and operation of houseboats. The regulatory framework sets standards for the specifications, conditions and operation of houseboats on the Lake and manages the number of vessels. The framework includes the:

- Water (Lake Eildon Recreational Area) (Houseboats) Regulations (2013) (the existing Regulations)
- Water (Recreational Area) Regulations (2023)
- Houseboat Licence Terms and Conditions (Goulburn Murray Water Corporation, 2019).

The existing Regulations and the Water (Recreational Area) Regulations 2023 are made under the *Water Act 1989*. The existing regulations sunset on 11 June 2024, and will no longer apply after this date unless they are remade.

As the responsible water authority, the Goulburn Murray Water Corporation issues houseboat licences for Lake Eildon. There are currently 724 houseboat licences issued, mostly for smaller private vessels. The Department explains that houseboat licensing is intended to manage potential risks to human health and the environment. The licensing framework uses different licence classes to manage larger private houseboats and commercial vessels, which currently make up around 10 per of the total fleet. The existing regulations also set blackwater management requirements for the capture, storage and disposal of sewage. The Department explains that the regulations require blackwater to be stored onboard until it can be properly disposed of onshore to manage the risks to human health and the environment from bacterial contamination.

The Department explains that additional provisions were introduced to the existing Regulations in 2013 requiring all houseboats to install greywater systems to manage non-sewage wastewater. It explains that greywater discharge can have detrimental effects on water quality, human health and the environment. For instance, nutrients contained in greywater such as nitrogen and phosphorous can contribute to toxic algal blooms which can impact organ function in humans and wildlife. The Department notes that detrimental impacts on water quality can impact not-only houseboat users, but also other recreational visitors to the area such as campers.

Greywater requirements were revoked from the existing regulations in 2017. The Department explains that this was due to feedback from the houseboat community that the requirements were overly burdensome and difficult to implement. For example, feedback included that the requirement for small private boats to install greywater management systems was disproportionate, given these vessels discharge a relatively small amount of waste and often only operate for a few weeks a year. Feedback also highlighted issues with the eligible greywater management systems such as noise, odour, vibration and power consumption. The Department acknowledges that these challenges led to the gradual withdrawal of the eligible greywater systems from the market.

The Department notes that after the greywater provisions were revoked, the *Environment Protection Act 2017* introduced a General Environmental Duty (GED) requiring every Victorian to minimise the risks of harm to human health and the environment from pollution or waste. The Department explains that the GED would apply to greywater waste from Houseboats, but current Regulations and guidance are not specific enough to ensure houseboats owners are meeting their obligations under the GED.

### **Options and Impact Analysis**

In the RIS, the Department analyses options for licensing houseboats on Lake Eildon and the treatment of blackwater and greywater from these vessels. The Department explains that there are interdependencies between these three issues. For example, it highlights that the number and type of vessels allowed under the licensing scheme can influence the level of risk associated with blackwater and greywater. Therefore, the Department explains that it assesses option packages that combine licensing, blackwater and greywater requirements. It explains that each option replicates existing licensing and blackwater requirements because these are working well. Greywater options vary based on:

- the category of houseboats to which requirements apply (houseboats are licensed under ascending categories from 1-6 according to vessel size and purpose)
- the type of greywater system required (from simple and low-cost interventions such as sink strainers/filters and grease traps to comprehensive systems with features such as filtration systems and disinfection units).

The RIS analyses three options to regulate houseboats on Lake Eildon:

- Package A (Low): requires simple greywater interventions for all Category 3 and above houseboats (e.g., fitting sink strainers and grease traps)
- Package B (Central): similar to Package A, but includes comprehensive greywater treatment systems for all new Category 3 and above private houseboats and all existing commercial hire houseboats
- Package C (High): requires comprehensive greywater treatment systems be fitted for all new and existing Category 3 and above houseboats.

The impacts of these three options are analysed against a base case in which the existing regulations would be allowed to sunset, meaning there would be no specific requirements for licensing and blackwater, and there would continue to be no specific greywater requirements. The Department notes that houseboating on Lake Eildon would be expected to continue to be regulated through a permit system, given Goulburn Murray Water could use existing powers available under the Water (Recreational Area) Regulations 2023 to fulfill its social and environmental obligations and recover the costs of managing houseboating on the Lake.

The RIS uses a Cost-Benefit Analysis (CBA) framework to assess the impacts of each option. Within this framework, Break Even Analysis is used to determine the level of benefit each option would need to equal its costs. The Department explains in the RIS that Break Even Analysis has been used as it is difficult to estimate the level of benefits that will be realised as a result of the Regulations. The RIS identifies the following costs involved with each option over 30 years:

- Package A - \$2.8 million
- Package B - \$5.7 million
- Package C- \$18.4 million

These costs relate mostly to houseboat owners purchasing and installing greywater systems. The higher costs involved in Package C reflect the significantly greater expense of comprehensive greywater systems (around \$10,000 to \$20,000) compared to simple interventions (under \$1000).

Two benefits of the proposed Regulations are analysed in the Break Even Analysis:

- Greater tourism in the Lake Eildon area
- Reduced risk to human health from houseboat wastewater

For the purpose of the analysis, both benefits are weighted equally meaning each would need to offset half the costs associated with an option.

The Department estimates the value of tourism in the Lake Eildon area at around \$1.4 billion over 30 years, based on around one million visitors per year spending \$180 per visit on average. This means that tourism would need to increase by the following amounts for the benefits of each option to breakeven with the costs:

- Package A: 0.1 per cent increase in tourism
- Package B: 0.2 per cent increase in tourism
- Package C: 0.5 per cent increase in tourism

The costs associated with potential harms to human health from greywater waste are estimated using a general benchmark of up to 0.36 per cent of recreational water users potentially contracting suffering gastroenteritis, rather than actual data on gastroenteritis acquired at Lake Eildon.

The Department applies this general benchmark to the number of Lake users (estimated at 300,000 per year), and then uses a cost estimate of about \$500 per gastroenteritis case to develop an overall estimate of potential costs to human health from houseboat wastewater of up to \$1.4 billion over 30 years.

The means that gastroenteritis would need to decrease by the following amounts for the benefits of each option to breakeven with the costs:

- Package A: 0.1 per cent decrease in cases
- Package B: 0.2 per cent decrease in cases
- Package C: 0.5 per cent decrease in cases

The Department explains that its preferred option is Package B, and it will consult further with the houseboat community, and broader community before remaking the Regulations. It explains that Package B is expected to best balance the expected additional costs for houseboat owners with the benefits to the broader community. The Department highlights that Package B would contain costs for owners of existing Categories 3-6 private houseboats to a relatively modest level compared with the resale value of houseboat licences.

In the RIS, the Department explains that transition periods will apply due to workforce constraints and to allow houseboat owners time to meet the new requirements. These transition periods are:

- Houseboats requiring simple greywater interventions must have these fitted by 1 January 2034.
- New houseboats (defined as boats which have not previously been licensed to operate on the Lake prior to 11 June 2026) requiring comprehensive greywater systems must have these fitted by 11 June 2027 (3 years after the regulations have been made).
- Commercial houseboats requiring comprehensive greywater systems must have these fitted by 1 January 2034.

The analysis assumes that greywater interventions are installed progressively during the transition period rather than immediately prior to the deadline due to workforce constraints and other factors.

### **Implementation and Evaluation**

In the RIS, the Department explains that it will oversee implementation of the proposed Regulations with Goulburn Murray Water responsible for the day-to-day operation of the Regulations.

The proposed Regulations are intended to take effect on 12 June 2024. The Department explains that transitional arrangements are intended to ensure continuity for houseboats licensed under the existing regulations until all current licences have come due for renewal by 1 July 2024. As noted above, there are transition periods that determine when simple greywater interventions and comprehensive greywater systems must be installed by. The Department assumes in the RIS that it will take two years for comprehensive systems to be developed, tested against specifications and made available on the market. The Department explains that this assumption is based on the fact that systems are already being developed and tested.

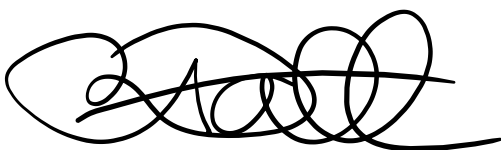
As part of its ongoing engagement with Houseboat owners and operators, the Department will undertake public consultation on the RIS from 27 March until 28 April. The Department explains that this forms part of a broader engagement strategy which has also included convening a Houseboat Stakeholder Working Group and seeking its feedback on a consultation paper to inform development of the RIS.

The implementation strategy for the proposed Regulations also includes the Department:

- developing and providing guidance materials to houseboat owners, including working with houseboat owners and Goulburn Murray Water to co-design guidance material and processes for the onboard management of greywater waste
- supporting developers of comprehensive greywater treatment technology to test their technology against specifications for use on houseboats
- considering further support to facilitate houseboat owners adopting greywater systems
- updating compliance monitoring processes such as houseboat inspections to include greywater treatment system installation requirements.

The Department explains that the evaluation strategy for the proposed Regulations will include both ongoing monitoring and more evaluation reports. Goulburn Murray Water will be responsible for ongoing monitoring of water quality monitoring at Lake Eildon. The Department will monitor visitor numbers to the area. As improvements to the Lake's water quality cannot be directly attributable to the greywater interventions, other performance measures have also been included in the evaluation strategy. These include compliance and enforcement indicators such as number of installations (including voluntary uptake), estimated reduction in greywater pollution from houseboats, and survey questions on perceptions of improved water quality and behaviour change. The Department explains that it will use the data collected by Goulburn Murray Water to contribute to a more detailed mid-term evaluation after the proposed Regulations have been in effect for 5 years and subsequent evaluation before they sunset in 2034.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cressida Wall', with a large, stylized flourish at the end.

**Cressida Wall**  
Commissioner for Better Regulation