

Mr Bill Kyriakopoulos
Deputy Secretary, Police, Racing, Victims and Coordination
Department of Justice and Community Safety
Level 17, 121 Exhibition Street
MELBOURNE VIC 3000

10 February 2025

Dear Mr Kyriakopoulos,



REGULATORY IMPACT STATEMENT FOR THE PRIVATE SECURITY REGULATIONS 2025

I would like to thank your staff at the Department of Justice and Community Safety (the Department) for preparing the Regulatory Impact Statement (RIS) for the Private Security Regulations 2025 (the proposed Regulations).

The Commissioner for Better Regulation is required to provide independent advice on the adequacy of RISs in accordance with the Subordinate Legislation Act 1994 Guidelines (the Guidelines). However, as the office of the Commissioner for Better Regulation is currently vacant, the Secretary to the Department of Treasury and Finance (or their delegate) is responsible for providing independent advice on the adequacy of RISs, in accordance with the Guidelines. The Secretary has delegated this responsibility to me in my capacity as Deputy Secretary of Economic Division.

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. The RIS also needs to be clearly written so that it can be a suitable basis for public consultation.

I am pleased to advise that the final version of the RIS received on 7 February 2025 meets the adequacy requirements set out in the *Subordinate Legislation Act 1994*.

Background and problems

The Department explains that the private security industry plays an important role in safeguarding the interests of Victorian businesses, the Government, and the broader community – with approximately 40,000 individuals and 1,900 businesses operating in the industry across Victoria.

Private security workers are employed across a diverse range of settings, including at large public events, in hospitality venues, and for cash and high value goods transport management. The Department notes that private security workers interact directly with the public in challenging environments and can have access to sensitive areas or information. As such, the Department explains the need for government intervention to mitigate potential risks to the community and ensure the probity, competency, and professionalism of those operating in the industry.

The *Private Security Act 2004* (the Act) provides the regulatory framework for the industry in Victoria. Under the Act, all individuals and businesses must obtain a licence or registration to provide private security services. Licences are required for “Class A” non-technical activities, such as security guard and crowd control services, while registration is required for “Class B” technical activities, such as installing security equipment or providing security advice. Licence or registration holders can only carry out activities that their licence or registration authorises them to provide.

The Act sets out probity and competency requirements that must be met to be granted a licence or registration, which include training requirements (for licence holders) and grounds for exclusion for having committed specified ‘disqualifying offences.’¹ The Act empowers the Chief Commissioner of Police to grant licences and registrations, which is carried out by Victoria Police’s Licensing and Regulation Division (LRD). After a licence or registration is granted, it is valid for three years before it must be renewed.

The Private Security Regulations 2016 (the current Regulations) prescribe the details of the licensing and registration scheme. The current Regulations clarify some of the Act’s probity and competency requirements, such as by specifying what information must be included with a licence or registration application. The current Regulations also prescribe fees for new applications, renewals and variations to a licence or registration. The current Regulations are due to sunset in June 2026.

¹ ‘Disqualifying offences’ include offences related to or involving drug trafficking, cultivating narcotic plants, assault, dishonesty, theft, controlled weapons, firearms and terrorism.

The *Private Security and County Court Amendment Act 2024* (the Amendment Act) will come into effect in June 2025 and will consolidate the current two-tier licensing and registration scheme into a single-tiered licensing scheme. Individuals and businesses seeking to provide previously “Class B” activities will need to apply for a licence rather than a registration, which is associated with additional training requirements and higher fees. The Amendment Act also introduces compulsory refresher training requirements, tighter rules around operating as an independent contractor, and an industry code of conduct, which do not require regulations to take effect.

The Department intends to remake the Regulations one year early in June 2025 to coincide with the Amendment Act coming into effect. The Department explains that this will avoid a one-year period of overlap where the current Regulations, which are incompatible with the amendments, would remain in force alongside the Amendment Act.

Options and Impact Analysis

In the RIS, the Department analyses options separately for the licensing requirements and fees components of the proposed Regulations. Options are analysed using a multi-criteria analysis (MCA) against a reference case, where the Regulations expire early in 2025, to coincide with when the amendments to the Act take effect. The Department uses a reference case as it does not consider the base case (where the Regulations sunset in 2026) to be a viable scenario, due to the one-year period of incompatibility between the current Regulations and the amended Act.

For remaking the **licensing requirements**, the Department only considers one option, which is to remake the current licensing requirements with updates to align with the Amendment Act. Option 1 would require certain information to be included in a licence application, such as evidence of training, disclosure of criminal activities, and details of close associates for body corporates. Option 1 would also impose record-keeping requirements on all licence holders, and time-keeping requirements on crowd controllers.

In the MCA, the Department uses the following criteria and weightings:

- competency and probity of the private security industry (50%);
- costs to industry (25%); and
- costs to government (25%).

The Department identifies Option 1 as its preferred option in the RIS. The Department explains that Option 1 will help Victoria Police to assess and assure that licence applicants meet the probity and competency requirements of the Act. Option 1 also

provides greater clarity to applicants on what information needs to be included in an application, relative to the reference case.

The Department estimates that the additional costs imposed by Option 1 (relative to the reference case) to provide the required documents for a licence application are:

- \$24 per individual applicant, and \$50 per business applicant for new licences; and
- \$96 per individual applicant, and \$188 per business applicant for licence renewals.²

The Department estimates that Option 1 will have a total annual cost to industry of \$1.6 million, or \$13 million in net present value (NPV) terms over the ten-year lifespan of the Regulations. The Department does not quantify the costs to government imposed by Option 1 but expects them to be relatively minor, as Victoria Police would still process applications, but with less information required under the reference case.

For remaking the **fees requirements**, the Department considers two options related to the fee structure, but it does not analyse options related to fee levels. The Department explains that the current fee levels are close to full cost recovery, and that there is uncertainty regarding future regulatory costs that would need to be recovered by the fees, given the Amendment Act comes into effect in 2025 and a new registry management system will be implemented in 2028. As such, the fee levels presented for both options are based on the current fee levels.

The two fee options considered by the Department are:

- **Fee Option 1:** a single fee for individual licence applications and another single fee for business licence applications; and
- **Fee Option 2:** variable fee levels based on the number of activities an applicant is seeking authorisation for, and whether an applicant is an individual, business (natural person) or business (body corporate). This mirrors the current fee structure with updates to reflect the single-tier licensing system.

To assess the options, the Department uses an MCA with the following criteria and weightings:

- effectiveness (40%);
- equity (40%); and
- simplicity (20%).

The Department identifies Option 2 (variable fees) as its preferred option in the RIS. It explains that under Option 2, higher fees are charged for applications which take

² The incremental cost for licence renewals is higher than the incremental cost for new applications, as much of the cost of providing documents for new applications is attributable to the Act, rather than the Regulations.

Victoria Police longer to review. As such, the Department argues that Option 2 will ensure that fees better reflect the costs of processing an application, reducing cross-subsidisation between applicants relative to Option 1.

Based on current fee levels, under Option 2 the Department estimates that the average annual fee revenue raised will be \$14 million, and total revenue will be \$102 million in NPV terms over the ten-year lifespan of the Regulations. Using 2024-25 fee units, fees range from \$472 for a three-year individual licence with authorisation for one activity, to \$2,797 for a three-year business (body corporate) licence with authorisation for seven activities.

Implementation and Evaluation

The proposed Regulations will come into effect on 19 June 2025, alongside the amendments to the Act taking effect. The Department explains that implementation of the proposed Regulations is expected to be straightforward, given their similarity to the current Regulations. For the transition to a single-tier licencing system, Victoria Police will update its technology systems and guidance material and inform current registrants of when they will need to apply for a licence.

The Department commits to working with Victoria Police and the Victorian Security Industry Advisory Council (VSIAC) to monitor the ongoing effectiveness and efficiency of the proposed Regulations. The Department explains that a formal review of the Regulations will be conducted prior to their sunseting in 2035. The Department also commits to reviewing the regulatory cost base within three years of the Amendment Act coming into effect and adjusting fee levels accordingly, if necessary.

Should you wish to discuss any issues raised in this letter, please do not hesitate to contact Better Regulation Victoria on (03) 7005 9772.

Yours sincerely,



Paul Donegan

Deputy Secretary, Economic
Department of Treasury and Finance