



Ms Megan Bourke-O'Neil
Deputy Secretary, Policy and Innovation
Department of Transport
1 Spring St
MELBOURNE VIC 3002

18 May 2021

Dear Ms Bourke-O'Neil

**REGULATORY IMPACT STATEMENT FOR ROAD SAFETY (VEHICLES) REGULATIONS
2021**

I would like to thank your staff at the Department Transport (the Department) for working with my team at Better Regulation Victoria on the preparation of a Regulatory Impact Statement (RIS) for the proposed Road Safety (Vehicles) Regulations 2021 (the proposed Regulations) to replace the Road Safety (Vehicles) Interim Regulations 2020 (the existing Regulations) which sunset on 3 October 2021.

As you know, the Commissioner for Better Regulation provides independent advice on the adequacy of 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. The RIS also needs to be written clearly so that it can be a suitable basis for public consultation.

I am pleased to advise that the final version of the RIS received by us on 7 May 2021 meets the adequacy requirements set out in the *Subordinate Legislation Act 1994* (the SLA).

Background

The proposed Regulations are made under the *Road Safety Act 1986* (the Act). The proposed Regulations prescribe requirements for vehicle registration, the means to identify vehicles and their drivers, roadworthiness requirements for vehicles, set eligibility criteria and conditions for concessions and unregistered vehicles operating on public roads, and provide for the collection and recording of information relating to written-off vehicles. The proposed Regulations also set fees for some of these

activities. As with all expiring regulations, the sunseting processes is an opportunity to assess the Regulations and make sure that they are still effective in delivering their objectives.

Victoria is a partner and signatory to many national and international vehicle standards, policy frameworks and guidelines. These include the Australian Design Rules, *Motor Vehicle Standards Act 1989 (Cwlth)*, *Road Vehicle Standards Act 2018 (Cwlth)*, *National Code of Practice for the Approval of Heavy Vehicle Modifications*, International vehicle importation regulations made under the authority of the World Trade Organisation, National Exchange of Vehicle and Driver Information System standards, and Written-Off Vehicle Register (WOVR) requirements. As such, significant parts of the proposed Regulations are guided by, and give effect to, these standards, policy frameworks and guidelines.

Policy Options and Analysis

The proposed Regulations substantially remake the existing Regulations because otherwise the absence of the proposed Regulations would mean that the vehicle registration system would not operate and there would be no roadworthiness requirements for vehicles. The Department's analysis in the RIS indicates that road safety cameras, which rely on these Regulations, are responsible for saving an estimated 229 lives per year.

The proposed Regulations make policy changes to the existing Regulations, including by requiring:

- written-off light motor vehicles to be recorded on the WOVR regardless of age;
- all vehicles fitted with gas installations to provide gas compliance certificates or plates at initial registration;
- the use of electronic vehicle inspection-related certificates by 1 July 2022 (with some exceptions);
- that obscuring substances or objects cannot be affixed to a licence plate; and
- entities seeking a charitable body concession meet an appropriate definition.

In addition, the proposed Regulations make several changes to the operation of the Club Permit Scheme (CPS) including:

- increasing the age of vehicles eligible for the CPS from 25 years to 30 years (with some exceptions);
- introducing a new definition of replica for the purpose of CPS eligibility;
- introducing new penalties for club book permit and log book offences;
- allowing the Secretary of the Department to return incomplete application forms; and
- adjusting CPS fees to be pro rata of the light vehicle registration fee.

For the decision to require written-off vehicles to be recorded on WOVR regardless of age, the Department uses break-even analysis. To break-even, the preferred option would need to reduce the risk of death by 1.44 lives over ten years. The Department considers this likely given the approximately 20,000 vehicles that the proposal will affect and the likelihood that some of those vehicles would be improperly repaired.

For other policy decisions, where the Department considers there may be the potential to impose an appreciable cost burden on the public, the Department uses Multi-Criteria Analysis (MCA) to assess the relative costs and benefits of options and select the preferred option. The criteria and their relative weights are:

- Safety (40%)
- Equity (5%)
- Effectiveness (5%)
- Cost to Government (20%)
- Cost to Community (20%)
- Complexity (10%)

Safety is generally the dominant factor in determining the preferred options in the RIS. In the case of electronic certificates, cost savings to the community are also a significant factor. In the case of the definition of replicas, effectiveness in preserving Victoria's driving heritage is the most significant factor.

Policy Issues for Consideration

The RIS explores several policy issues and options to address the issues, without proposing a preferred option or proposed reform. The Department presents this analysis to stakeholders for consultation to inform future regulatory reform analysis. In presenting this analysis, the same criteria used for the MCA are adopted but the RIS does not explicitly score the options or select a preferred option. The policy issues considered are:

- whether and under what conditions vehicles assessed as Repairable Write-Offs (RWOs) should be eligible for registration;
- whether categories of low-risk vehicles (such as young vehicles, or vehicles that have not travelled far) should be exempt from the requirement to obtain a roadworthiness certificate before transfer or re-registration;
- whether it should be an offence to tamper with the VIN and chassis numbers of unregistered vehicles;
- whether motor trikes should be registered as motorcycles and what registration fee should be charged;
- whether to expand the registration requirements for light trailers to those weighing less than 200kg; and
- whether CPS logbooks should be electronic.

Fees Analysis

The RIS substantially remakes existing fees related to vehicle registration. The Act allows VicRoads to charge:

- fees for services it provides in connection with the licensing of drivers and registration of vehicles, which must not exceed the costs of delivering the service (s. 97A(1)) (referred to in the RIS as 'services groups'); and
- fees not limited to cost recovery levels for drivers' licences, learner permits, vehicle registrations or where a third party is authorised to perform functions on behalf of VicRoads (s. 95(6)) (referred to in the RIS as 'permissions groups' and 'servicing agreements').

The RIS presents an in-principle discussion of fees for services groups and permissions groups. The Department explains that VicRoads does not yet have systems and processes which capture costs at a level of granularity or in a fashion that facilitates their allocation to unique outputs for which fees are charged. In short, VicRoads lacks an Activity-Based Cost (ABC) model which could be used to set fees that accurately reflect the cost of providing a specific service. Therefore, the RIS cannot consider options for setting fees closely aligned to precise costs, but presents a qualitative discussion outlining why the Department considers the current fees are appropriate, given the Department's objectives and data limitations. For services groups, the objectives are:

- operational efficiency;
- equity;
- simplicity; and
- encouraging positive customer behaviour.

For permissions groups, the considerations that inform fee setting are:

- the value of the permissions or authorities to the recipient;
- the demand for those permissions or authorities; and
- that the public should share in the private value that is created through public service provision.

The RIS estimates that it costs approximately \$42m per year to deliver the services groups activities. The Department proposes to recover an estimated \$41m of these costs per year, which is a cost recovery rate of approximately 98 per cent across all activities. Fees related to registration are proposed to be recovered from registration transfer and administration fees, while no fee is charged for registration renewal and re-issue. This advantages those who transfer vehicles more often relative to those who transfer vehicles less often.

The proposed Regulations remake the current fees, except for increases to club permit fees to bring them in line with registration fees on a pro rata basis. Therefore, there will be no changes to fees for most customers.

Implementation and Evaluation

The RIS explains that the proposed Regulations are substantively the same as the existing Regulations, with minor amendments affecting specific groups of vehicle operators. Further, it explains that changes will be introduced progressively within 24 months of the commencement of the Regulations. VicRoads will publish information on its website and engage directly with specifically affected stakeholders.

The Department has committed to expedite the development of a full ABC model to enable a comprehensive mid-term review of the regulated fees to commence in 2023/24. This review will be prioritised in the Department's work plans and will focus on setting more precise fees. The RIS explains that this review is 'of the greatest importance', given the inadequacies of the existing business systems for allocating costs to regulated fees and the failure to undertake a full review in the previous period between remaking regulations.

In recognition of the importance and size of this review, the staff at Better Regulation Victoria are keen to support their colleagues in the Department on this important work.

Should you wish to discuss any issues raised in this letter, please do not hesitate to contact my office on 03 7005 9772.

Yours sincerely



Anna Cronin

Commissioner for Better Regulation