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| Professional Engineers Registration (Fees) Regulations 2021  Regulatory Impact Statement |



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Professional Engineers Registration

(Fees) Regulations 2021

Regulatory Impact Statement

This Regulatory Impact Statement has been prepared to fulfil the requirements of the *Subordinate Legislation Act 1994* and the Victorian Guide to Regulation, and to facilitate public consultation on the proposed Professional Engineers Registration (Fees) Regulations 2021.

The proposed Fees Regulations prescribe the fees, refunds and exemptions from fees for the registration and endorsement of professional engineers and related applications for the purposes of the *Professional Engineers Registration Act 2019*. The proposed fees aim to recover the costs to government associated with the ongoing administration and operation of the Professional Engineers Registration Act and related functions under the *Building Act 1993*. A copy of the proposed Fees Regulations is published with this Regulatory Impact Statement.

The aim of this Regulatory Impact Statement is to explain the background to and objectives of the proposed Fees Regulations. It identifies alternative options for meeting those objectives and estimates the costs and benefits of the proposed fees and the alternative options. In this way, this Regulatory Impact Statement will assist members of the public to comment on the proposed Fees Regulations.

Public comments and submissions are invited on the proposed Fees Regulations, in response to the information provided in this Regulatory Impact Statement. All submissions will be treated as public documents and will be available to other stakeholders either by being posted on the Engage Victoria website at [engage.vic.gov.au/engineers-registration](https://engage.vic.gov.au/engineers-registration), or under the *Freedom of Information Act 1982* following the public consultation period.

Written comments and submissions must be emailed to [engineers@justice.vic.gov.au](mailto:engineers@justice.vic.gov.au) no later than the close of business on **Monday 3 May 2021** and addressed to:

Professional Engineers Regulatory Impact Statement Submission  
Consumer Affairs, Liquor, Gaming and Dispute Services  
Department of Justice and Community Safety

Abbreviations

|  |  |
| --- | --- |
| ABS | Australian Bureau of Statistics |
| ASP | Assessment Scheme Panel |
| BLA | Business Licensing Authority |
| Building Act | *Building Act 1993* |
| CAV | Consumer Affairs Victoria |
| CPD | Continuing Professional Development |
| Fees Options Discussion Paper | Cost Recovery Options Discussion Paper |
| GEM | Global Entity Module |
| ICT | Information and Communication Technology |
| MCA | Multi-Criteria Analysis |
| Professional Engineers Registration Act | *Professional Engineers Registration Act 2019* |
| Proposed Fees Regulations | Proposed Professional Engineers Registration (Fees) Regulations 2021 |
| RIS | Regulatory Impact Statement |
| Subordinate Legislation Act | *Subordinate Legislation Act 1994* |
| VBA | Victorian Building Authority |
| VCAT | Victorian Civil and Administrative Tribunal |
| VPS | Victorian Public Service |

# 

# Executive summary

*What is the purpose of this Regulatory Impact Statement?*

The *Professional Engineers Registration Act 2019* (Professional Engineers Registration Act) will come into operation by default on 1 July 2021. Among other regulatory measures, it will introduce mandatory registration for persons providing professional engineering services in Victoria and outside Victoria, if those services are for Victoria.

The purpose of the proposed Professional Engineers Registration (Fees) Regulations 2021 (proposed Fees Regulations) is to set fees for registration and other services provided under the Professional Engineers Registration Act, refunds of fees and exemptions from fees in certain circumstances. These include fees for:

* a first registration which comprises an application and registration fee
* the renewal of a registration every three years which comprises an application and registration fee
* adding an area of engineering to a registration or endorsement
* an initial endorsement
* the renewal of an endorsement every three years
* an annual endorsement statement
* a copy or an extract of the register of professional engineers
* a certified copy or extract of the register.

Section 103 of the Professional Engineers Registration Act provides the authority for fees, refunds and exemptions to be specified in regulations.

The fees set under the proposed Fees Regulations seek to recover the costs to government of administering the Professional Engineers Registration Act and related functions under the *Building Act 1993* (Building Act). These include costs incurred by the:

* Business Licensing Authority (BLA) to consider and determine applications for registration, endorsement and renewal
* Consumer Affairs Victoria (CAV) to support the BLA, process registration and endorsement applications and monitor and enforce professional engineers’ compliance with the Professional Engineers Registration Act
* Victorian Building Authority (VBA) to provide advice to the BLA on whether an applicant is a fit and proper person to have their registration endorsed to practise in the building industry, issue annual endorsement statements and monitor and enforce endorsed building engineers’ compliance with the Building Act
* Victorian Civil and Administrative Tribunal (VCAT), as requested, to conduct hearings to review registration decisions made by the BLA, make determinations regarding the conduct of professional engineers and impose penalties for non-compliance.

Under the *Subordinate Legislation Act 1994* (Subordinate Legislation Act) a Regulatory Impact Statement (RIS) must be prepared for a proposal such as the proposed Fees Regulations which is likely to impose a significant economic or social burden on a sector of the public. As the cost to the Victorian Government of administering the Professional Engineers Registration Act and related functions under the Building Act is estimated to be on average approximately $6.05 million a year, a RIS has been prepared to assess the impact of the proposed Fees Regulations as the fees they set will impose a burden on professional engineers.

A breakdown of this cost is including in section 4.2 and appendices 1 to 7.

*What is being proposed?*

The objective of the Professional Engineers Registration Act is to promote standards and provide client protections by requiring a person who provides a professional engineering service to meet certain qualification, experience and probity standards, and actively continue their professional development. The requirement to be registered does not apply if a person is working under the direct supervision of a registered practising professional engineer or only in accordance with a prescriptive standard.

Additionally, to maintain the safety and standard of building work in Victoria, professional engineers who wish to engage in the building industry will be required to have their registration endorsed by the VBA.

Initially registration will apply to five areas of engineering including fire safety, structural, civil, electrical and mechanical engineering. Mandatory registration will be progressively phased-in by area of engineering over a two-and-a-half-year period commencing on 1 July 2021.

The Professional Engineers Registration Act uses a co-regulatory model to clearly separate responsibility for assessing the different eligibility requirements for registration and renewal between the engineering profession, through assessment entities, and the BLA. The delineation of responsibilities is based on best fit and expertise.

The qualification and experience requirements for eligibility for registration will be set out in assessment schemes developed and administered by assessment entities and approved by the BLA. The assessment entities will assess applicants’ qualifications and experience against the requirements in their approved assessment schemes and issue a report on the outcome of their assessment. When considering an application for registration, the BLA will have regard to this report as evidence of an applicant’s competency to be registered. The BLA will also take advice from the VBA where an endorsement is sought for an applicant to practise in the building industry. The BLA will then undertake personal and financial probity checks specified in the Professional Engineers Registration Act to determine if an applicant is suitable for registration.

Professional engineers will be required to renew their registration and any endorsement every three years. The renewal process will mirror the registration process but without the reassessment of qualifications and experience. In addition, to be eligible for renewal, professional engineers will be required to declare that they have completed 150 hours of Continuing Professional Development (CPD) in the last three years.

Registration will promote an uplift in industry standards for registered professional engineers. It will reduce information asymmetry and create value for both registered professional engineers and clients of professional engineering services through the increased level of confidence that Victorians, Victorian businesses and the Victorian Government, will have when engaging with the sector. This will help deliver the projects and infrastructure that contribute to the social, environmental and economic wellbeing of Victoria.

In contrast, the proposed Fees Regulations focus on the fees to be set under the Professional Engineers Registration Act for registration, endorsement, renewal and other transactions with the BLA and VBA. As the fees charged by assessment entities to assess a professional engineers’ qualifications and experience are not fees collected under the Professional Engineers Registration Act, they are not included in the proposed Fees Regulations.

Therefore, the objectives of the proposed Fees Regulations are to ensure that to the greatest extent possible the proposed fees are:

* efficient – they reflect the underlying costs of the government activities being undertaken, and send price signals to professional engineers about the value of those activities
* effective – they do not create perverse incentives for non-compliance or results in other unintended consequences
* equitable – they recover the government costs in an equitable way based on user pays principles and capacity to pay.

*What are the options for setting fees?*

Victorian Government policy is that regulations that set fees for government services and activities should achieve full cost recovery unless there is a compelling policy reason not to do so. Public consultation on a Cost Recovery Options Discussion Paper (Fees Options Discussion Paper) was conducted in September 2020. The feedback provided was considered and not found to provide a compelling justification to depart from full cost recovery for the costs of administering the Professional Engineers Registration Act and the related functions under the Building Act, due to the benefits expected to arise for professional engineers.

Therefore, four full cost recovery options are presented and assessed through a Multi-Criteria Analysis (MCA) by each of the three objectives of the proposed Fees Regulations against a base case where no fees would be charged.

The four options have different fee designs that distinguish registration and renewal of registration fees between practising and non-practising professional engineers and between a first registration and a renewal registration. The different fee designs aim to address concerns arising with the transfer of liability for government costs between:

* practising and non-practising professional engineers because the fees charged do not reflect the government costs generated by either or both groups of professional engineers – horizontal equity, and/or
* early career engineers and later career engineers because the fees charged do not reflect the capacity to pay for either or both groups of professional engineers – vertical equity.

All other fees – endorsement, renewal of endorsement, annual endorsement statement, adding an area of engineering and accessing information on the register of professional engineers – are the same across all four options.

The four options are:

* **Option 1** – full cost recovery through a fee design that sets the registration and renewal of registration fees for a non-practising professional engineer at 50 per cent of the fees for a practising professional engineer.
* **Option 2** – full cost recovery through a fee design that sets the registration and renewal of registration fees for a non-practising professional engineer at 20 per cent of the fees for a practising professional engineer.
* **Option 3** – full cost recovery through a fee design that sets no fees (or a zero fee) for the registration and renewal of registration for non-practising professional engineers.
* **Option 4** – full cost recovery through a fee design that is based on Option 2 and sets a 15 per cent higher fee for the renewal of a registration.

Table 1 summarises the proposed fees for each of these options.

**Table 1: Summary of options 1, 2, 3 and 4**

| Fee description | Option 1 Fees | Option 2 Fees | Option 3 Fees | Option 4 Fees |
| --- | --- | --- | --- | --- |
| ***Registration fees*** |  |  |  |  |
| Application for registration (for 3 years) | $85.68 | $85.68 | $85.68 | $85.68 |
| Application to add an area of engineering | $85.68 | $85.68 | $85.68 | $85.68 |
| Registration of professional engineer – practising (for 3 years) | $442.62 | $445.32 | $447.14 | $406.07 |
| Registration of professional engineer – non-practising (for 3 years) | $221.31 | $89.06 | $0 | $81.21 |
| Application for renewal of registration (for 3 years) | $85.68 | $85.68 | $85.68 | $85.68 |
| Renewal of registration of a professional engineer – practising (for 3 years) | $442.62 | $445.32 | $447.14 | $466.98 |
| Renewal of registration of a professional engineer – non-practising (for 3 years) | $221.31 | $89.06 | $0 | $93.40 |
| ***Endorsement fees*** |  |  |  |  |
| Application for endorsement (for 3 years) | $218.46 | $218.46 | $218.46 | $218.46 |
| Application for renewal of endorsement (for 3 years) | $218.46 | $218.46 | $218.46 | $218.46 |
| Annual endorsement statement | $109.95 | $109.95 | $109.95 | $109.95 |
| ***Register fees*** |  |  |  |  |
| Search, copy and extract of the register | $49.81 | $49.81 | $49.81 | $49.81 |
| Certified copy and extract of the register | $49.81 | $49.81 | $49.81 | $49.81 |

The results of the MCA of the four options are summarised in Table 2.

**Table 2: Summary of MCA of options 1, 2, 3 and 4**

|  |  | **Option 1** | | **Option 2** | | **Option 3** | | **Option 4** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Criteria | Weighting | Score | Weighted Score | Score | Weighted Score | Score | Weighted Score | **Score** | **Weighted Score** |
| Efficiency | 25% | +5 | 1.25 | +7 | 1.75 | +5 | 1.25 | +6 | 1.50 |
| Effectiveness | 35% | -2 | -0.70 | -3 | -1.05 | -3 | -1.05 | -2 | -0.70 |
| Equity | 40% | +5 | 2,00 | +6 | 2.40 | +4 | 1.60 | +7 | 2.80 |
| **Total weighted score** | |  | **2.55** |  | **3.10** |  | **1.80** |  | **3.60** |

Feedback received through public consultation on the Fees Options Discussion Paper informed the respective weighting of the MCA criteria.

*What is the preferred approach to setting fees?*

Based on the MCA summary in Table 2, Option 4 has the highest weighted score and, therefore, is the preferred option. It has:

* registration and renewal fees for non-practising professional engineers that are 20 per cent of the fees for practising professional engineers
* a renewal of registration fee that is 15 per cent higher than the fee for an initial registration.

The fees proposed in Option 4 fully recover the cost to government of administering the Professional Engineers Registration Act and the related functions under the Building Act. They also achieve:

* horizontal equity by ensuring that the primary benefactors of the scheme, i.e. registered professional engineers, pay the associated cost, and parties that do not benefit or only benefit at the margins do not have to bear a disproportionate amount of the costs
* vertical equity by ensuring that later career engineers who have a greater capacity to pay contribute more than early career engineers who have a lower capacity to pay.

The fee design in Option 4 has been included in the proposed Fees Regulations where the fees are expressed in fee units, see Table 3.

**Table 3: Option 4 fees and fee units**

| Fee description | Proposed fees | Fee Units\* |
| --- | --- | --- |
| ***Registration fees*** |  |  |
| Application for registration (for 3 years) | $85.68 | 5.79 |
| Application to add an area of engineering | $85.68 | 5.79 |
| Registration of professional engineer – practising (for 3 years) | $406.07 | 27.42 |
| Registration of professional engineer – non-practising (for 3 years) | $81.21 | 5.48 |
| Application for renewal of registration (for 3 years) | $85.68 | 5.79 |
| Renewal of registration of a professional engineer – practising (for 3 years) | $466.98 | 31.53 |
| Renewal of registration of a professional engineer – non-practising (for 3 years) | $93.40 | 6.31 |
| ***Endorsement fees*** |  |  |
| Application for endorsement (for 3 years) | $218.46 | 14.75 |
| Application for renewal of endorsement (for 3 years) | $218.46 | 14.75 |
| Annual endorsement statement | $109.95 | 7.42 |
| ***Register fees*** |  |  |
| Search, copy and extract of the register | $49.81 | 3.36 |
| Certified copy and extract of the register | $49.81 | 3.36 |

\*The current value of a fee unit is $14.81.

*What is the impact of the preferred option?*

While the fees proposed under Option 4 will impact professional engineers and engineering businesses, including small businesses, the impact is not expected to be significant and the benefits are anticipated to outweigh the costs.

The liability for paying fees will rest with professional engineers as the requirement to be registered and endorsed, as applicable, applies to an individual rather than a business. For individual professional engineers the amount of the fees is expected to represent on average less than 0.3 per cent of their expected earning potential in a single year. Additionally, where engineering businesses take responsibility for paying the full registration and endorsement fees on behalf of engineers they employ, the amount of the fees is expected to be small relative to the profitability of the business. For example, for engineering consultancies total fees would be approximately 0.82 per cent of their total estimated profit in 2020-21.

In terms of the impact on competition, the proposed Fees Regulations are not expected to:

* affect market structure, such as the number and size of professional engineering businesses
* make it substantially more difficult for professional engineers or engineering businesses to enter and operate in the market
* restrict the ability of professional engineering businesses to choose the price, quality, range or location of services they provide
* lead to higher ongoing costs for new professional engineering businesses compared to existing businesses
* affect the ability of professional engineering businesses to innovate or develop new services.

*How will the preferred option be implemented?*

The key component of implementation will be to ensure that professional engineers are aware and prepared for the new fees for professional engineers that will commence on 1 July 2021.

CAV will distribute information and educate the sector about the fees through several channels including:

* the dedicated web pages for professional engineers on the CAV website
* the VBA website and channels for providing information to engineers practising in the building industry
* mainstream and social media, as appropriate
* electronic newsletters and/or emails to professional engineers and other interested parties who have registered to receive information at Engage Victoria
* industry channels
* the myCAV registration portal.

Once made, the Fees Regulations will operate for 10 years from the date on which they are made and then automatically expire. Before expiry, the fees will be reviewed to support the remaking of the Fees Regulations in 2031. However, it is expected that an earlier review of the fees will also be undertaken in response to relevant recommendations of the statutory review of the operation of the Professional Engineers Registration Act required to be conducted in 2024-25, relevant outcomes of the current review of Victoria’s Building System, and the impact of automatic mutual recognition scheduled to be introduced through Commonwealth legislation on 1 July 2021.

*Who has been consulted and what are the next steps?*

While preliminary consultation has been undertaken through targeted channels and public consultation on the Fees Options Discussion Paper in 2020, this RIS has been prepared to facilitate further public consultation on the fees proposed for the registration and endorsement of professional engineers.

All submissions will be considered before the proposed Fees Regulations are made.

|  |
| --- |
| *Consultation questions*   1. Do the different fees for practising and non-practising professional engineers proposed in the preferred option (Option 4) adequately reflect the different demands for government services of these two groups of professional engineers? If no, please explain why. 2. Do the different fees for an initial registration and the renewal of a registration proposed in the preferred option (Option 4) adequately reflect the different financial capacities of early and later career professional engineers? If no, please explain why. 3. Are there any impacts that the fees proposed in the preferred option (Option 4) will have on professional engineers or professional engineering businesses that are not identified in this RIS? If yes, please provide details of those impacts. |

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# Background

The Professional Engineers Registration Act will come into operation by default on 1 July 2021. It will introduce mandatory registration for engineers providing professional engineering services, and standards of professional conduct that must be met when providing those services.

The objectives of the Professional Engineers Registration Act include ensuring professional engineering services are only provided in and for Victoria by persons who are appropriately qualified and experienced, and that are actively continuing their professional development. This is aimed at ensuring the competency of professional engineers, and when combined with probity checks and conduct requirements, promotes an uplift in industry standards for registered professional engineers.

The introduction of mandatory registration and professional conduct standards highlights the critical importance of the engineering profession and makes information about providers of professional engineering services more accessible to the community. This change reduces information asymmetry and creates value for both registered professional engineers and consumers of professional engineering services through the increased level of confidence that Victorians, Victorian businesses, and the Victorian Government, will have when engaging with the sector. This will help deliver the projects and infrastructure that contribute to the social, environmental and economic wellbeing of Victorians.

## Operationalising the Act

Three sets of regulations have been, or are in the process of being, developed to support the practical operation of the Professional Engineers Registration Act, see Figure 1.

1. Professional Engineers Registration (General, Exemption and Assessment Scheme Fees) Regulations 2021 (General Regulations).
2. Proposed Fees Regulations.
3. Proposed Professional Engineers Registration (Transitional) Regulations 2021 (proposed Transitional Regulations).

*General Regulations*

The General Regulations were made on 9 February 2021 following an extensive consultation process with government and industry stakeholders. The General Regulations set out several matters to support the operation of the Professional Engineers Registration Act, for example:

* that an application for registration be accompanied by a report on an applicant’s qualifications and experience from an assessment entity
* the schedule for phasing-in registration by area of engineering
* the fees for the approval, variation and renewal of assessment schemes.

The General Regulations do not impose a significant economic or social burden on a sector of the public. Therefore, consistent with the requirements of the Subordinate Legislation Act[[1]](#footnote-2) a RIS was not required to be prepared. Nevertheless, before they were made, the General Regulations were subjected to a broad-based public consultation process to ensure the final version of the regulations were fit for purpose and developed with input from the engineering community.

*Proposed Fees Regulations*

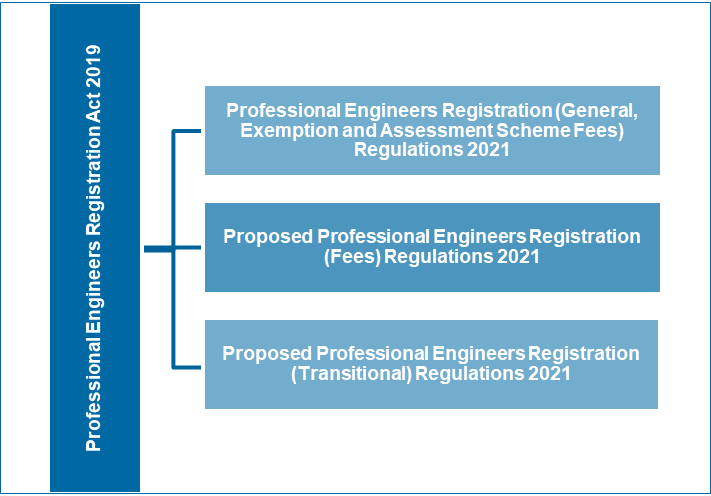
The proposed Fees Regulations, which are the subject of this RIS, set out the proposed fees to recover the costs of administering the Professional Engineers Registration Act and related functions under the Building Act, including the costs of registration, renewal and endorsement, and to search, copy and obtain an extract of the register of professional engineers.

*Proposed Transitional Regulations*

The proposed Transitional Regulations are scheduled to be developed in early 2021 and will address any issues identified during the implementation of the Professional Engineers Registration Act which can be addressed through regulatory provisions to avoid unintended and unnecessary consequences.

The Transitional Regulations will be made under section 104 of the Professional Engineers Registration Act and will automatically expire on 1 July 2023. The Transitional Regulations are exempt from the preparation of a RIS by section 105 of the Professional Engineers Registration Act.

**Figure 1: Regulations under the Professional Engineers Registration Act**

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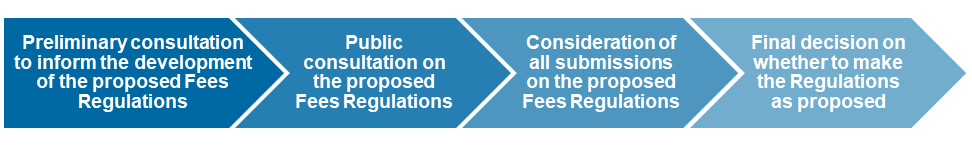
## Regulatory Impact Statement

### Process

The proposed Fees Regulations prescribe the fees that will recover the cost of administering the Professional Engineers Registration Act and related functions under the Building Act over the 10-year regulatory period, beginning 1 July 2021.[[2]](#footnote-3)

A RIS is required for any proposal that is likely to impose a significant economic or social burden on a sector of the public.[[3]](#footnote-4) The indicative threshold for a significant economic or social burden is a regulatory cost of $2 million a year. As the cost of administering the Professional Engineers Registration Act and related functions under the Building Act is estimated at approximately $6.05 million a year, a RIS has been prepared for the proposed Fees Regulations as recovering this cost through the proposed fees will impose a burden on professional engineers. See section 4.2 for details of this cost.

Before the proposed Fees Regulations are made, the Subordinate Legislation Act requires the following steps to be completed.



The preparation of a RIS supports public consultation and good decision-making by establishing a framework for parties to review and comment on any proposed regulations that impose a significant economic or social burden on a sector of the public.

As required by the Subordinate Legislation Act, the assessment framework of this RIS:

* examines the nature and extent of the problem to be addressed
* states the objectives of the proposed Fees Regulations
* explains the effects on various stakeholders
* assesses the costs and benefits of the proposed Fees Regulations and compares the impacts with a scenario where the proposed regulations are not made.

The scope of this RIS includes a detailed assessment of the fees proposed to be collected from registered professional engineers to recover the cost to government of the ongoing administration and operation of the Professional Engineers Registration Act and related functions under the Building Act.

Fees will also be collected from the professional engineering associations and other organisations that seek to administer assessment schemes.[[4]](#footnote-5) These fees are intended to recover the costs that the BLA is estimated to incur to approve and monitor the operation of assessment schemes. Assessment scheme fees are prescribed under the General Regulations and do not impose a significant economic or social burden. As a result, assessment scheme fees do not require the same level of impact assessment as the fees in the proposed Fees Regulations.

However, the assessment scheme fees prescribed in the General Regulations do not reflect the full cost to government of processing an application for approval, variation or renewal of an assessment scheme as they take into consideration the financial capacity of assessment entities, which are largely small not-for-profit membership associations. Therefore, the General Regulations set nominal fees which aim to support the growth of a competitive assessment market that provides choice for professional engineers. The remaining costs are to be recovered through the proposed Fees Regulations. Assessment scheme fees are further discussed in section 4.2.1.

Under section 10 of the Subordinate Legislation Act, the Commissioner for Better Regulation provides independent advice on the adequacy of a RIS prepared in Victoria, which is assessed against the Victorian Guide to Regulation. The Commissioner has advised that this RIS meets the adequacy requirements of the Subordinate Legislation Act. A copy of the Commissioner’s Letter of Adequacy accompanies this RIS and can be accessed through the [Engage Victoria website](http://www.engage.vic.gov.au/engineers-registration).

### Consultation

*Preliminary consultation*

A primary function of the RIS process is to enable public consultation to occur on proposed regulations, the alternative options and the estimated costs and benefits of those options before regulations are finalised.

Consultation on approaches to recover the costs associated with the ongoing administration and operation of the Professional Engineers Registration Act and related functions under the Building Act commenced in August 2020, with the release of the Fees Options Discussion Paper to the peak professional engineering associations and intergovernmental stakeholders. The Fees Options Discussion Paper was subsequently released for broad public consultation in September 2020.

The Fees Options Discussion Paper provided a brief overview of the RIS process and existing government policies relating to cost recovery and set out a range of options to recover the costs associated with the operation of the Professional Engineers Registration Act and the related functions under the Building Act. The initial options put forward for discussion ranged from zero cost recovery to full cost recovery. Nine consultation questions were posed to guide stakeholder feedback. The primary objective of releasing the Fees Options Discussion Paper was to gather information to guide the design of the fee options analysed in this RIS.

The main issues raised by stakeholders included:

* registration fees, if significant, may deter new engineers from entering the industry
* registration fees will add to the cost of providing engineering services, which may reduce the competitiveness of Victorian engineers, particularly, those competing in the world market
* many engineers hold voluntary accreditations, e.g. Chartered Practising Engineer, for which they already incur costs
* engineers that work across multiple Australian states and territories would be negatively impacted if required to pay registration fees in each jurisdiction
* fixed fees have a disproportionate impact on businesses with lower revenue or individuals with lower income
* COVID-19 has had a negative impact on the revenue of engineering businesses, which would be compounded by the introduction of new mandatory registration fees.

These issues, alongside other identified implementation challenges, have been considered as part of the impact analysis in Chapter 5.

## Engineering Victoria’s future

Engineers work across the entire economy and despite the fundamental role they have and the complex and important work they perform, most engineers are not required to hold any kind of formal registration or licence in Victoria. Currently, only engineers working in the building industry are required to be registered and their registration is under the Building Act.

From 1 July 2021, this will change and all engineers that provide professional engineering services in the areas of structural, civil, mechanical, electrical and fire safety engineering will progressively be required to register to ensure they have the requisite qualifications and experience to continue to provide those services for Victoria, regardless of whether they are located in or outside Victoria.[[5]](#footnote-6)

The work of engineers typically involves the application of complex mathematical, technological and scientific principles, which require a certain standard of knowledge and skill and continuous development to maintain at a best practice level. Mandatory registration will promote best practice engineering in Victoria by ensuring that professional engineers have attained a minimum standard of competency and that their skills are maintained over time through a minimum CPD requirement each three-year registration cycle.

Victoria’s engineering sector is expanding. Currently, the sector employs over 46,000 people[[6]](#footnote-7), with many of those jobs right at the heart of helping to deliver Victoria’s infrastructure growth program. As the scheme is phased-in over the next two-and-a-half-years, around 20,000 of the 46,000 (around 43 per cent) engineering professionals currently employed are expected to become registered professional engineers under the Professional Engineers Registration Act, with additional flows of new engineers becoming registered in the years that follow. Appendix 9 shows additional information on the expected number of engineers registering with the scheme over the regulatory period and outlines the methodology used to calculate the forecast.

### Contribution of the engineering sector to Victoria’s gross state product

From an economic perspective, Victoria’s engineering sector is vital to Victoria’s prosperity. The engineering sector makes significant value adding contributions, reflecting the fact that the value of engineering services extends beyond the profession itself. Furthermore, engineers and the services they provide enable other industries to generate economic activity and create new jobs.

In 2016-17, engineering and engineering-enabled industries generated more than 600,000 jobs and contributed around $93 billion to the Victorian economy, representing 25 per cent of gross state product, see Figure 2.[[7]](#footnote-8)

***Figure 2: Engineering-enabled industry sectors – Contribution to Victoria’s gross state product ($ billion)***



*Source: Office of Projects Victoria, State of Engineering, October 2018*

Looking towards the future, the Victorian economy is faced with myriad challenges as a result of the economic shock caused by the global COVID-19 pandemic. Central to economic recovery efforts will be the continuation of Victoria’s infrastructure program and the professional engineering services that enable it.

### Demand for engineering professionals is steadily increasing

Over the past decade the number of persons employed as an ‘engineering professional’[[8]](#footnote-9) in Victoria has increased by around 37 per cent – from an annual average of 33,600 persons in 2010-11 to an annual average of 46,000 persons in the financial year 2019-20.[[9]](#footnote-10) In labour market analysis, employment within a sector is a clear representation of specific demand for the skills and experience associated with that sector.

The average quarterly increase in demand for engineering professionals observed in Victoria over the past 10 years has been high. There was a 1.6 per cent average quarter-on-quarter increase in demand for engineering professionals from May 2010 to August 2020 compared with a 0.9 per cent average quarter-on-quarter increase across all professional occupations combined, including health, education and legal professionals, see Figure 3.

**Figure 3: Employed professionals, Victoria (percentage)**



*Source: Australian Bureau of Statistics (ABS)*

Despite a fall in demand for engineering professionals observed in the August quarter of 2020 – potentially a result of COVID-19 workplace restrictions – the current trend suggests that Victorian demand for engineering professionals, and the services they provide, would be around 54,000 persons by the beginning of 2030 – an increase of around 24 per cent compared to the August 2020 quarter.[[10]](#footnote-11)

## Legislative framework

### The requirement to be registered and endorsed

The Professional Engineers Registration Act defines a professional engineering service as an engineering service that requires or is based on the application of engineering principles and data to a design, construction, production, operation or maintenance activity relating to engineering.

The definition of a professional engineering service specifically excludes an engineering service provided only in accordance with a prescriptive standard. A prescriptive standard is a document that states procedures or criteria for carrying out a design, construction or production activity to which it relates. A prescriptive standard requires little or no engineering judgement to apply the stated procedures or criteria and does not require advanced scientifically based calculations to apply the stated procedures or criteria. Therefore, persons providing services only in accordance with a prescriptive standard will not require registration. In addition to this exemption, any engineer who works under the direct supervision of a professional engineer who is registered, will also be exempt from the requirement to be registered to provide professional engineering services.

A registered professional engineer who wishes to practise in the building industry will be required to have their registration endorsed to do so.

### Prescribed areas of engineering

The Professional Engineers Registration Act applies to five prescribed areas of engineering including structural, civil, mechanical, electrical and fire safety engineering.[[11]](#footnote-12) Mandatory registration for these areas of engineering will be progressively phased in over the next two-and-a-half-years, beginning with fire safety engineering on 1 December 2021. If required, additional areas of engineering may be prescribed in regulations in the future.[[12]](#footnote-13)

### Government authorities and regulators

Four regulators and government agencies have a role in administering the Professional Engineers Registration Act and related functions under the Building Act. These are the BLA, VBA, CAV and VCAT.

*Business Licensing Authority*

The BLA is an independent statutory authority established under the *Business Licensing Authority Act 1998* to administer the licensing and registration provisions of specified Acts including the Professional Engineers Registration Act.

Under the Professional Engineers Registration Act the BLA will be responsible for:[[13]](#footnote-14)

* making determinations on applications for registration, renewal and endorsement of professional engineers
* referring applications for endorsement to the VBA for report
* approving assessment schemes and the entities that administer those schemes
* referring relevant matters for investigation.

CAV supports the BLA to carry out these functions.

*Victorian Building Authority*

The VBA is a statutory authority established under the Building Act to regulate building and plumbing practitioners to ensure Victorian building and plumbing industries are safe, trusted, efficient and competitive.

Under the Professional Engineers Registration Act, the primary functions of the VBA are to

* consider applications for endorsement in relation to engineers seeking to practise in the building industry
* provide recommendation reports in relation to those applications
* liaise with and assist the BLA and the Director of CAV in carrying out their functions in relation to the Professional Engineers Registration Act.[[14]](#footnote-15)

The VBA also has authority under the Building Act to receive and manage enquiries and complaints and take disciplinary action against endorsed building engineers, the term used in the Professional Engineers Registration Act and the Building Act to refer to a professional engineer whose registration has been endorsed to practise in the building industry.

*Consumer Affairs Victoria*

CAV is a business unit of the Department of Justice and Community Safety. In addition to supporting the BLA to undertake its licensing and registration functions, it provides advice to consumers, conciliates disputes involving consumers and ensures compliance with, and enforces consumer laws.

Under the Professional Engineers Registration Act CAV will:

* monitor compliance, investigate and prosecute alleged breaches by professional engineers
* refer professional engineers to the VCAT for disciplinary action
* refer complaints, allegations and information relating to professional engineers to other bodies for investigation where relevant
* liaise with and assist the BLA and VBA to carry out their functions.

*Victorian Civil and Administrative Tribunal*

Under the Professional Engineers Registration Act, VCAT will review decisions made by the BLA relating to registration, endorsement and assessment schemes, and conduct hearings into the conduct of professional engineers.

### Registration requirements

The Professional Engineers Registration Act only applies to natural persons; therefore, corporations (companies) will not be required to be registered.

To be eligible for registration a person must have the qualifications and experience required for each area of engineering for which they apply for registration. A person is ineligible to be granted registration if they are:[[15]](#footnote-16)

* disqualified from registration or have had their registration cancelled in Victoria or another state or territory
* a represented person under the *Guardianship and Administration Act 1986*[[16]](#footnote-17)
* not a fit and proper person to provide professional engineering services.

To determine whether a person is fit and proper to provide professional engineering services, the BLA may have regard to whether the person:

* is or has been insolvent or the officer of an externally administered company
* has a disqualifying criminal offence in Victoria or elsewhere[[17]](#footnote-18)
* has an offence under a state, territory or Commonwealth law regulating the provision of professional engineering services
* has been suspended under the Professional Engineers Registration Act or Commonwealth, state or territory law, and the reasons for that suspension
* failed to comply with any court or tribunal order.

Every three years registered professional engineers wishing to renew their registration will be required to pay a renewal fee and provide evidence that they have completed the required number of hours of CPD training over the previous three years. At renewal, registered professional engineers will be reassessed against the eligibility requirements for registrations, excluding the qualification and experience requirement.[[18]](#footnote-19)

Professional engineers that meet the eligibility requirements to be registered in multiple areas of engineering, e.g. electrical and mechanical engineering, will be able to apply for registration in each of those areas, at the time of application, or at any time thereafter.

An application for registration and for renewal of registration must be[[19]](#footnote-20):

* made using the approved form
* state each area of engineering for which registration is sought
* state whether the applicant is seeking registration as a practising or non-practising professional engineer
* provide appropriate documentation in support of the application
* be accompanied by the prescribed application, registration and renewal fees.

### Endorsement requirements

A professional engineer who wishes to practise in the building industry must also apply to have their registration endorsed by the BLA.

To be eligible for endorsement, a professional engineer must have the required professional indemnity insurance and, among other matters, must not:[[20]](#footnote-21)

* have a disqualifying criminal offence in Victoria or elsewhere[[21]](#footnote-22)
* have a disqualifying offence against a law regulating building work or building practitioners
* have had a registration, licence, approval, certificate or other authorisation as a building practitioner suspended or cancelled for reasons other than failing to renew the authorisation
* be or have been insolvent or an externally administered company
* have been a director, secretary, or an influential person of a corporation within the two years before the corporation went into external administration.

As with applications for registration and renewal, an application for endorsement must be made on the approved form and be accompanied by the prescribed endorsement application fee.

A professional engineer whose registration is endorsed to practise in the building industry, must submit an endorsement statement and pay the prescribed annual endorsement fee on the anniversary of the date their registration was first granted.

The statement must be in a form approved by the VBA, contain written proof that the endorsed building engineer will be covered by the required professional indemnity insurance for the next year and be accompanied by any documents required by the VBA.

*Transitional arrangements*

Section 107 of the Professional Engineers Registration Act provides for engineers registered under the Building Act (building practitioners in the category of engineer) to be deemed into the registration scheme for professional engineers (at no additional registration cost) until their registration under the Building Act expires. In this way an existing registered building practitioner engineer will be taken to be an endorsed building engineer.

Additionally, the General Regulations provide an exemption from completing CPD for three years from 1 July 2021 for building engineers who are transitioned into the registration scheme because they are registered under the Building Act before 1 July 2021.

## Registration process

The registration process for professional engineers is co-regulatory by design, involving the engineering profession and government regulators. Therefore, the process for becoming a registered professional engineer in Victoria comprises two main components:

* assessment of the qualifications and experience of an applicant for registration
* application for registration and endorsement, as the case may be, to the BLA.

### Assessment of qualifications and experience

To be eligible for registration as a professional engineer, the Professional Engineers Registration Act requires a person to meet the qualification and experience requirements for the area/s of engineering in which they are applying for registration. The qualification requirements for registration also qualify a person for endorsement to practise in the building industry. However, there is an additional experience requirement that must be met to be eligible for endorsement. This is to demonstrate a knowledge and practical application of:

* Victorian building laws and standards
* the operation and use of the National Construction Code as it applies to the relevant area/s of engineering.

The qualification and experience requirements for registration and endorsement will be specified in assessment schemes administered by assessment entities, which are expected to be professional engineering associations operating in Victoria. Assessment schemes will be approved by the BLA based on the criteria in section 34 of the Professional Engineers Registration Act.

Therefore, the first step in the process for applying for registration is for an applicant to have their qualifications and experience assessed against those in an approved assessment scheme. On receiving an application, an assessment entity will verify that an applicant has met the required qualification and experience requirements and provide them with a report on the outcome of the assessment which they can then use to apply to the BLA for registration.

This delineation of responsibilities is based on best fit and expertise. It uses the technical expertise and specialist knowledge of assessment entities to identify the qualifications and experience necessary to meet contemporary Australian and international standards of practice in engineering. In this way, it places responsibility with the profession for determining and assessing the competency and technical capabilities of applicants for registration.

It is expected that applications for registration seeking assessment of their qualifications and experience will be able to choose from a range of assessment entities based on their individual preferences. At this stage, the number of assessment entities that will administer approved assessment schemes is unknown. However, several organisations from the engineering sector, both domestic and international, have expressed interest in applying to have an assessment scheme approved.

### Application for registration and endorsement

The second step is for the applicant to make a written application for registration to the BLA. The application will be made through CAV’s dedicated online licensing and registration portal, ‘myCAV’, and must have attached the report from the assessment entity.

The BLA will review the information provided in the application and accompanying documents and assess whether the applicant is fit and proper to be granted registration against the requirements specified in the Professional Engineers Registration Act.

Where an applicant also applies for endorsement, the application will be referred to the VBA to provide a report and recommendation to the BLA as to whether the person is fit and proper under the Building Act to have their registration endorsed to practise in the building industry. This change means that endorsed building engineers will not be required to register as building practitioners in the class of engineer under the Building Act from 1 July 2021.

### Application for renewal

The process to apply for the renewal of a registration and endorsement will mimic the process for initial registration and endorsement, except for the reassessment of qualifications and experience.

Once a person has been granted registration as a professional engineer, they will be able to complete their ongoing compliance requirements including renewals and any change to their registration details through their myCAV account. Where a professional engineer is also endorsed to work in the building industry, they will use myCAV to submit their annual endorsement statement and insurance details to the VBA.

## Existing voluntary engineer registration programs

There are several professional engineering associations in Victoria that currently offer voluntary registration or accreditation programs for engineers. For example, the National Engineering Register offered by Engineers Australia and the Registered Professional Engineer program offered by the Association of Professional Engineers Australia. These existing programs and the benefits afforded members will not be directly impacted by the implementation of mandatory registration under the Professional Engineers Registration Act.

The objectives of Victoria’s mandatory registration of professional engineers differ from those of the voluntary engineer registration programs; therefore, mandatory registration is intended to exist alongside existing and future voluntary programs.

## Authorising provision

Section 103 of the Professional Engineers Registration Act provides the authority for registration and endorsement fees and refunds of those fees to be prescribed in the proposed Fees Regulations.

## Fees authorised under the Act

Table 4 provides an overview of all fees which may be set under the Professional Engineers Registration Act.

Only the fees proposed in Table 4 for the proposed Fees Regulations are considered as part of this RIS.

**Table 4: Schedule of fees that can be prescribed under the Act**

| **Fee description** | **Regulations** |
| --- | --- |
| **Registration fees** |  |
| Application for registration (section 10(2)(e)(i)) | Proposed Fees Regulations |
| Registration of professional engineer (section 10(2)(e)(ii)) | Proposed Fees Regulations |
| Application for renewal of registration (section 20) | Proposed Fees Regulations |
| Renewal of registration of a professional engineer (section 20) | Proposed Fees Regulations |
| **Endorsement fees** |  |
| Application for endorsement (section 11(2)(c)) | Proposed Fees Regulations |
| Application for renewal of endorsement (section 20) | Proposed Fees Regulations |
| Annual endorsement statement (section 21(1)) | Proposed Fees Regulations |
| **Register fees** |  |
| Search, copy and extract of the register (section 28(4)) | Proposed Fees Regulations |
| Certified copy and extract of the register (section 28(5)) | Proposed Fees Regulations |
| Copy of an assessment entity record (section 53) | This fee is not being charged as there will be a public register of assessment schemes and assessment entities made available online |
| Replacement of a lost or damaged registration certificate  (section 17) | This fee is not being charged as certificates will be issued electronically. |
| **Assessment scheme fees\*** |  |
| Application for approval of assessment scheme (section 35) | General Regulations |
| Renewal of approved assessment scheme (section 36) | General Regulations |
| Variation of approved assessment scheme (section 37) | General Regulations |

\* Assessment scheme fees are included here for completeness, however, are not considered as part of this RIS.

While the Professional Engineers Registration Act provides authority to make regulations that set fees to obtain a copy of an assessment entity record or replace a registration certificate, these fees are not proposed to be charged. The decision not to charge these fees is a result of subsidiary benefits from the Information and Communication Technology (ICT) system developed to manage engineer registrations. The ICT system for professional engineer registration will allow register information to be accessed electronically without additional administrative cost to government.

Section 103 of the Professional Engineers Registration Act provides for any regulations to set different fees for different classes of registrations and renewal of registrations. Therefore, in addition to the fees listed in Table 4, the proposed Fees Regulations prescribe:

* separate registration fees for practising professional engineers, non-practising professional engineers and to change a registration from non-practising to practising
* a separate application fee to add an area of engineering to a registration.

The proposed Fees Regulations include three exemptions from fees for endorsed building engineers including:

* from paying an annual endorsement fee where an endorsement has been suspended by the BLA, or the fee fall due on the date of the renewal of an endorsement
* from paying a fee to change from non-practising to practising during the period which they are deemed to be registered under the Professional Engineers Registration Act.[[22]](#footnote-23)

As section 103 of the Professional Engineers Registration Act also provides for the refund of fees, the proposed Fees Regulations include refunds where:

* a registration or endorsement is refused
* an application for registration or endorsement is withdrawn
* a registration or endorsement is surrendered
* a registration is changed from practising to non-practising.

Lastly, the proposed Fees Regulations set the date when an annual endorsement statement and fee is due for the purposes of section 21 of the Professional Engineers Registration Act.

# The nature and extent of the problem

## Problem addressed by the Act

The engineering profession plays a critical role in delivering economic and social benefits to clients and the broader community. Professional engineers guide clients through the complex scientific and engineering rules and standards that govern the design, construction, production, operation and maintenance of, for example, structures, engines, machines, electrical equipment, roads, railways, bridges, systems and processes in one or more of the areas of engineering prescribed in the Professional Engineers Registration Act.

In many instances the work professional engineers are engaged to undertake for clients involves a significant commitment and investment by a client and can have serious financial, legal and reputational consequences for a client if the outputs of that work, such as buildings, bridges or equipment, fail to perform as required. Clients rely on their professional engineer to have the knowledge and skill to ensure the standards and compliance of work to avoid those consequences. This is the case regardless of whether a client engages a consulting engineer or employs an in-house engineer.

As a result, professional engineers have a great deal of power in the relationship with a client or employer as they hold or have access to complex scientific and engineering information that their client or employer lacks. Further, engineering designs, if unfit for purpose, could lead to significant physical or financial harm. However, when a client engages or employs a professional engineer, they do not always have the necessary means to determine whether the engineer is sufficiently competent, reliable and honest to provide an appropriate standard of service.

The requirement to be registered is a client protection aimed at ensuring that those who provide professional engineering services in Victoria, or for Victorian projects are competent and can meet the professional practise standards demanded of them. The registration process under the Professional Engineers Registration Act involves assessing the suitability of potential applicants wishing to practise as professional engineers.

As it is the Professional Engineers Registration Act that imposes the requirement that professional engineers be registered, this RIS does not discuss the broader problem addressed by regulating professional engineers. Instead, it focuses on the more specific problem of ensuring the efficient, effective and equitable recovery of the costs arising from government regulation of professional engineers.

## Why regulatory fees need to be charged

Given that the government will incur costs from the activities required to be carried out in regulating professional engineers, the problem to be addressed by the proposed Fees Regulations is how best to recover these costs. These activities include:

* processing applications for registration and endorsement by the BLA and CAV
* advising on endorsement applications and processing annual endorsement statements by the VBA
* responding to enquiries and complaints about the conduct of professional engineers
* monitoring and enforcing professional engineers’ compliance with the Professional Engineers Registration Act, and in the case of endorsed building engineers, with the Building Act
* informing professional engineers and clients about the regulatory framework.

Additional information on the activities the government will undertake to regulate professional engineers is detailed in Section 4.2.

Consistent with Victorian Government policies relating to the recovery of costs of government-provided services, the government’s costs incurred from administering the Professional Engineers Registration Act and the Building Act as it relates to endorsed building engineers should be recovered from those expected to benefit from it.

The Professional Engineers Registration Act facilitates cost recovery by authorising the making of regulations with respect to fees. These fees support the government to administer the regulatory framework for the engineering services profession.

Registration is expected to generate benefits for registered professional engineers by promoting their selection by clients above other practitioners who are unqualified, incompetent or unscrupulous. Registration is also expected to deliver benefits to consumers of professional engineering services through an increased level of government-provided protections. These protections include obligations for registered professional engineers to act fairly, honestly and in the best interests of their clients.

In the absence of regulations that prescribe fees, the Professional Engineers Registration Act and related functions under the Building Act would operate on a zero-cost recovery basis. The major consequence of this scenario is that the costs of administering these Acts with respect to professional engineers and endorsed building engineers would need to be met by the government, which would likely result in a transfer of the financial impost to Victorian taxpayers.

## Regulatory fee design considerations

The design of the regulatory fees that support the registration system for professional engineers must be based on principles that align with the intentions of the Professional Engineers Registration Act and do not adversely impact its operation.

Therefore, the prescribed regulatory fees should:

* reflect the underlying costs of the activities being undertaken to support the administration and operation of the Professional Engineers Registration Act and the related functions under the Building Act, thus sending accurate price signals to the professional engineering services market about the value of these activities, i.e. the fees should be efficient
* not create perverse incentives for non-compliance or result in any other unintended consequences, i.e. the fees should be effective
* ensure those that benefit from the registration system are accountable for the costs associated with providing it, i.e. the fees should be equitable.

Additionally, there are two key issues motivating the form of cost recovery:

1. horizontal equity concerns arising from the efficient, equitable and effective apportioning of regulatory costs between practising and non-practising professional engineers, and
2. vertical equity concerns arising from charging early career professional engineers the same registration fees as later career engineers.

### Horizontal equity concerns – distribution of costs between practising and non-practising professional engineers

The Professional Engineers Registration Act provides power to make regulations that set different fees for the registration of practising and non-practising professional engineers.

The key distinction between practising and non-practising professional engineers is that non-practising professional engineers do not carry out, and are not responsible for the carrying out of, professional engineering services. Because of this significant distinction, the compliance and enforcement regulatory activities required by CAV for non-practising professional engineers are less than those required for practising professional engineers.

A practising professional engineer may choose to become non-practising where they no longer provide professional engineering services but want to keep their registration active so they can easily transition back to practising – to once again provide professional engineering services – at some future date without the need to reapply for registration and have their qualifications and experience reassessed.

As a result of the different effort required to regulate practising and non-practising professional engineers, the design of the proposed cost recovery options should promote horizontal equity by ensuring that no inefficient cross subsidisation occurs between practising and non-practising professional engineers.

### Vertical equity concerns – distribution of costs between a first registration and renewal registration

The Professional Engineers Registration Act further provides power to make regulations that set different fees for a first registration and for the renewal of a registration.

Once the Professional Engineers Registration Act is fully implemented, i.e. all prescribed areas of engineering require mandatory registration, it is likely that persons applying for new registration will be at an earlier stage in their engineering careers than those already registered and due to renew their registration. As a result, the earning potential of a more senior engineer is assumed to be higher and, therefore, engineers at the renewal stage of registration should have a greater capacity to pay for registration than those seeking their first registration.

The difference in fee paying capacity between early and later career engineers gives rise to concerns around vertical equity – that is, persons with a greater capacity to pay fees should contribute more than those with a lower capacity to pay. Therefore, the proposed cost recovery options should provide a mechanism to alleviate such vertical equity concerns.

# Objectives of the proposed regulations

## Legislative purpose and objectives

The purpose of the Professional Engineers Registration Act is to introduce mandatory registration and conduct requirements for professional engineers to:

* promote best practice in providing professional engineering services
* ensure that professional engineering services are provided only by suitably qualified and experienced engineers
* provide appropriate protections to consumers (clients) of professional engineering services provided by registered professional engineers.

The regulatory protections supporting these objectives include registration and conduct requirements that are largely concerned with dissuading unregistered trading as well as obliging professional engineers to act fairly, honestly and in the best interests of their clients.

## Objectives of the proposed fees regulations

The primary objective of the proposed Fees Regulations is to recover the government’s costs associated with the ongoing operation of the Professional Engineers Registration Act and related functions under the Building Act. The cost recovery approach has been designed in a manner that is:

* efficient
* effective
* equitable.

Furthermore, the objective to recover the government’s costs must not be expected to have a significant impact on the competitive market for professional engineering services in Victoria.

# Options for fee setting

The primary purpose of the RIS process is to analytically consider a range of available options including regulatory and non-regulatory options that achieve a given objective.[[23]](#footnote-24) The options for setting fees and the ‘base case’ – the scenario where no Fees Regulations are made – are described in this chapter. Chapter 5 assesses the options against the base case to identify the optimal option for setting fees for the registration and endorsement of professional engineers.

## Cost recovery

Consistent with the *Victorian Guide to Regulation[[24]](#footnote-25)* and the *Cost Recovery Guidelines[[25]](#footnote-26)*, regulations that set fees for government services and activities should achieve full cost recovery unless there are compelling policy reasons not to do so.

Departure from full cost recovery may be justified where:

* merit goods are being provided or where activities generate benefits to unrelated third parties e.g. education and preventative healthcare
* objectives of income redistribution or social insurance are important e.g. health, education, public transport and social housing
* concessions are deemed appropriate, e.g. for low income groups
* full cost recovery may undermine innovation and product development e.g. the full cost of getting approval to bring a new product into the market
* the government is providing goods and services on a commercial basis in competition with the private sector, and/or
* full cost-recovery might adversely affect the achievement of other government policy objectives e.g. charging consumers to make a complaint or obtain advice from a regulator.

Further, departure from full cost recovery would also be justified in a situation where full cost recovery would compromise other policy objectives of the government.

### Partial cost recovery

Analysis of the feedback received on the Fee Options Discussion Paper suggests there is no justification to depart from full cost recovery for the costs of administering the Professional Engineers Registration Act and related functions under the Building Act.

Some stakeholders considered that the costs to the Victorian Government of administering the Professional Engineers Registration Act and related functions under the Building Act should be met through fees, in part, and either a taxpayer subsidy or a subsidy from the Victorian Building Authority Fund. The main reasons given were that the registration of professional engineers will benefit all Victorians or will mostly benefit the Victorian Government as the largest purchaser of professional engineering services.

While there is the potential for the general public to indirectly benefit from a consistent standard of professional engineering services, for example, through improvements to the quality, safety and environmental impacts of the resulting products and processes, the direct benefits will be limited to individuals and businesses that purchase professional engineering services. For these clients there will be measurable financial benefits from reduced screening costs and a reduced need for rectification work or action to address problems arising from the work of incompetent or dishonest professional engineers.

However, the cost of registration for professional engineers is expected to be passed on in full or in part by professional engineers to their clients, and in turn, to the general public in the form of higher prices for goods and services that involve the use of professional engineering services in their production. This increase is expected to be negligible. For example, the cost to government of regulating professional engineers, estimated in section 4.2.3 to be $6.05 million, is less than 0.04 per cent of the value of engineering construction work completed in Victoria in 2019-20 of $18.7 billion.

Professional engineers will also benefit from:

* the exclusive right to provide professional engineering services and to use the title of ‘registered professional engineer’
* competitive advantage in the global market through assurance that Victorian registered professional engineers have met the minimum international standard of competency for the provision of professional engineering services
* improved career development opportunities
* prestige and reputational enhancement through the promotion of engineering as a profession.

Although the Victorian Government currently has a significant infrastructure program underway, the private engineering sector makes a greater contribution to the Victorian economy. One measure of the contribution of the private engineering sector is the value of engineering construction work completed in Victoria in the September quarter of 2020, which was $2.23 billion compared to $2.18 billion for the public sector.[[26]](#footnote-27)

The idea of endorsement fees being subsidised through funding from the Victorian Building Authority Fund[[27]](#footnote-28) is beyond the scope of this RIS. Victoria’s building system is currently being reviewed by the Victorian Government, the outcomes of which may result in changes to the regulatory system[[28]](#footnote-29). The first stage for reviewing engineer registration fees, proposed for 2025-26 as outlined in Chapter 8, will also consider the impact of any relevant legislative changes arising from this review.

Therefore, it is proposed that the costs will be fully recovered from those expected to receive the greatest benefit, i.e. professional engineers, through regulatory fees. This conclusion effectively makes fee options that do not achieve full cost recovery unviable. Consequently, this RIS considers several variations to full cost recovery options which address the issues identified in the problem statement in Chapter 2.

### Full cost and fee framework

Full cost in the context of this RIS refers to the value of all the resources used in the provision of registration and endorsement services for professional engineers, including resources dedicated to compliance monitoring and enforcement of disciplinary actions. As detailed below, the full cost is primarily comprised of the labour effort and salary on-costs of administering the scheme. These costs have been largely determined by an activity-based costing model and reflect the efficient, i.e. minimum, cost base of operating the scheme on an ongoing basis.

The design of the fees has been kept as simple as practicable to avoid unnecessary confusion and any cross subsidy of unrelated activities has been strictly avoided.

## Methodology for options development

The two major interacting components that determine the setting of fees for professional engineers are the efficient cost base, i.e. the complete account of the cost to government to administer the Professional Engineers Registration Act and the related functions under the Building Act, and the expected volume of engineers becoming registered over the 10‑year regulatory period.

Owing to the structure of the fee making powers in the Professional Engineers Registration Act, fees associated with an application for registration and renewal of registration are directly associated with the costs incurred by the BLA, CAV and VCAT, while fees associated with applications for endorsement, renewal of endorsement and the annual endorsement statement are directly associated with the costs incurred by the VBA.

### Efficient cost base for registration and supporting regulatory functions

The total cost for the BLA, CAV and VCAT to administer the registration (excluding endorsement) and supporting regulatory functions under the Professional Engineers Registration Act is estimated on average to be approximately $5,150,600 a year. The total cost comprises three main components:

* variable direct costs of $857,877
* fixed direct costs of $3,696,899
* fixed indirect costs of $595,823.

The total cost has been modelled over the 10-year regulatory period, considering the initial phase-in period, which is anticipated to result in higher volumes of new registrations in the earlier years, as compared to the later years of the regulatory period. This approach sets constant fees that recover costs over the complete 10-year period which smooths the cost implications of regulating engineers to avoid volatility in fees and to facilitate the forward planning of impacted engineers and/or businesses.

*Variable direct costs*

An application for registration or to renew a registration has two cost components: the processing of the application and the ongoing compliance management of the registration. The variable direct costs are only concerned with the cost of processing applications.

The variable direct costs have been determined by an activity-based costing model which estimates the amount of time required for staff to process particular applications and vary only according to the volume of applications. These include an application:

* for a new registration for three years
* to renew a registration every three years
* to add an area of engineering to an existing registration
* to search and take a copy of an extract from, or copy of, the register of professional engineers maintained by the BLA
* to obtain a certified extract from, or certified copy of, the register of professional engineers.

As the tasks required to process an application for registration or renewal are identical, the costs associated with both functions are the same.

Based on the number of transactions expected in an average year (see Section 4.2.3 for additional volume information), the variable direct costs for registration applications are estimated to be approximately $857,877 a year. For a breakdown of this cost see Appendix 1.

Once fully implemented, the Professional Engineers Registration Act is expected to result in an estimated 38 per cent increase in registered individuals and businesses[[29]](#footnote-30) for the BLA and CAV and will be one of the single largest schemes administered by the BLA and CAV.

The estimate of the total variable direct costs incorporates several processing efficiencies introduced by CAV.

To ensure efficient registration and licensing processes, CAV has successfully deployed an online registration management system to more than 60,000 individuals and businesses. The front-end customer facing component of the system, myCAV, provides a self-service portal that makes it easy for licensees and registrants to submit applications and supporting information online, check their application status and remain compliant with their registration obligations. Information submitted through myCAV is stored in the Global Entity Module (GEM), the interface for back-end BLA and CAV users.

The introduction of online processes through myCAV and GEM has resulted in red tape savings for licensees and registrants and also efficiency gains for CAV. Work is underway to expand myCAV and GEM to facilitate and manage registration applications by professional engineers. This is expected to achieve a 20 to 25 per cent efficiency gain for the registration of professional engineers compared to a baseline electronic registration process.

The registration process for professional engineers will achieve further efficiencies from engaging Service Victoria to undertake proof of identity checks for applicants. This check will complement the financial and personal probity checks outsourced[[30]](#footnote-31) by CAV on behalf of the BLA. Applicants will access Service Victoria through the myCAV portal.

*Fixed direct costs*

The fixed direct costs and the fixed indirect costs (described below) are concerned with the ongoing cost of monitoring and enforcing compliance by professional engineers with the Professional Engineers Registration Act.

The fixed direct costs include the labour resources required by CAV and VCAT to perform the regulatory functions supporting Professional Engineers Registration Act, which include:

* managing back-end registration functions
* receiving and managing enquires and complaints
* monitoring compliance and investigating complaints
* addressing non-compliance and taking disciplinary actions.

The fixed direct costs are the largest contributing factor to the registration and renewal of registration fees proposed at Section 6.1. They account for most of the costs of administering the Professional Engineers Registration Act, estimated to be approximately $3,696,899 a year. This estimate is based on business intelligence developed by the BLA, CAV and VCAT through years of experience regulating other occupational groups.[[31]](#footnote-32) For a breakdown of this cost see Appendix 2. The fixed direct costs apply evenly across registration and renewal transactions as no particular factors have been found to vary the demand on these services.

The fixed direct costs represent the most efficient approach to regulating the professional engineering sector based on the level of service expected from stakeholders. It is estimated that on average approximately 22 full time equivalent Victorian Public Service (VPS) staff a year will be required to undertake the functions covered by the fixed direct costs, such as monitoring compliance and handling complaints.

*Assessment scheme application processing costs*

In addition to the functions listed above, and as noted in Section 1.2.1, the fixed direct costs include the remaining cost of processing applications for approval, renewal and variation of assessment schemes after the fees prescribed in the General Regulations have been deducted. Under the General Regulations the fee to apply for:

* approval of a new assessment scheme or to renew an expiring assessment scheme is $4,739 (320 fee units[[32]](#footnote-33)) compared to the total cost of processing such applications of $11,781 each
* approval to vary an assessment scheme is $1,288 (87 fee units) compared to the total cost of processing such an application of $4,797.

Taking into account the prescribed fees and the number of applications expected on average over the 10-year regulatory period, the average annual assessment scheme processing cost to be recovered through the fixed direct costs is $14,060. This amount is based on:

* 0.5 applications for approval of new assessment schemes a year (five over 10 years)
* 0.5 applications for approval to renew expiring assessment schemes a year (five over 10 years)
* two applications to vary approved assessment schemes a year.

Including this cost in the fixed direct costs will mean that it is passed on to professional engineers in the proposed registration fee. However, based on an average of approximately 9,796 new and renewal applications a year (see Appendix 10), this will add less than $1.50 to the registration fee for a professional engineer. Details of the methodology used to estimate the cost of processing assessment scheme applications is included in Appendix 3.

It is appropriate to include the remaining assessment scheme application processing cost in the fixed direct cost. This is because professional engineers will benefit from the assessment services provided by the assessment entities that administer approved assessment schemes, and also from the increased choice and reduced pricing that is expected to result from a competitive assessment services market in Victoria.

Furthermore, during consultation on the General Regulations, stakeholders advised that assessment entities are likely to pass on assessment scheme application fees to professional engineers in their charges to undertake qualification and experience assessments. However, the amount by which these charges would have increased would have varied across engineering associations based on the number of assessments an association is expected to undertake and the period over which the assessment scheme application fee would be recovered. Therefore, having nominal fees for assessment scheme applications in the General Regulations with the remaining processing costs in the fixed direct costs, will be more equitable for professional engineers – the increase in the registration fee will be consistent and low for all professional engineers.

*Fixed indirect costs*

The fixed indirect costs for registration represent the costs incurred through indirect support of the regulation of professional engineers. These costs include educational support programs to assist engineers with managing compliance, policy and regulatory advice to government and the requisite executive services to engage with stakeholders and provide strategic direction and governance for the scheme. It is estimated that on average approximately 2.5 full time equivalent VPS staff will be required a year to undertake the functions covered by the fixed indirect costs.

Based on an understanding of the indirect support required to regulate professional engineers, the fixed indirect costs are estimated to be approximately $595,823 a year. These costs also apply evenly across registration and renewal transactions. For a breakdown of the fixed indirect costs see Appendix 4.

The VPS salary costs underpinning the estimates of the variable direct, fixed direct and fixed indirect costs for registration are listed in Appendix 5.

### Efficient cost base for endorsement regulatory functions

The total cost for the VBA to administer its endorsement functions under the Professional Engineers Registration Act and its compliance-monitoring and enforcement functions under the Building Act is estimated on average to be approximately $896,227 a year, which comprises:

* variable direct costs of $375,026
* fixed direct costs of $467,594
* fixed indirect costs of $53,607.

As with the registration costs, the endorsement costs are modelled for the 10-year regulatory period, which will be the life of the proposed Fees Regulations.

The endorsement fees represent an efficient cost base as the underpinning processes are similar to those which the VBA undertakes for building practitioner engineer and other occupational registration schemes it administers, and which have been improved and streamlined over time.

*Variable direct costs*

As with the registration costs, the variable direct costs have been determined by an activity-based costing model which estimates the amount of time required for staff to process particular applications and vary according to the volume of applications. These include an application:

* for a new endorsement for three years
* to renew an endorsement every three years
* for an annual endorsement statement.

The estimate of the total variable direct costs incorporates several processing efficiencies introduced by the VBA.

To ensure efficient registration and licensing processes, the VBA has streamlined its processes by providing online forms in editable formats. These technical improvements have achieved reductions in processing times and improved data quality which have resulting in greater efficiency in assessing applications. The efficiencies achieved will continue in the assessment of requests for engineer endorsement received via CAV’s GEM portal.

Over time, the VBA has been using technology to communicate with practitioners (e.g. email and SMS). VBA’s proposed future model of communication with engineers will eliminate postal correspondence, consistent with CAV’s approach to communicating with engineers.

In addition to these efficiencies, the VBA has designed endorsement processes that minimise duplication of functions performed by CAV. To that end, the VBA will rely on checks performed by CAV and will no longer undertake its own police or proof of identity checks, to determine its recommendations on endorsement applications.

The tasks to review and advise the BLA on an application for endorsement are the same as those to review and advise on an application to renew an endorsement and both include the completion of a detailed endorsement recommendation report to the BLA.

For the annual endorsement statement, the processing costs will include the review and approval of professional indemnity insurance, which endorsed building engineers must hold under the Building Act.

Based on the number of transactions expected in an average year and the tasks required to provide advice to the BLA, the variable direct cost to be incurred by the VBA is estimated to be approximately $375,026 a year. For a breakdown of this cost see Appendix 16.

*Fixed direct costs*

The fixed direct costs include the labour resources required by the VBA to perform associated endorsement functions to support the Professional Engineers Registration Act and the compliance-monitoring and enforcement functions under the Building Act for endorsed building engineers. These include managing back-end endorsement functions, such as

* changing details for endorsed building engineers
* changing the practising status of endorsed engineers
* updating the professional indemnity insurance of an endorsed building engineer
* providing recommendations on requests to surrender endorsements.

In addition to these back-end endorsement functions, other VBA tasks include:

* receiving and managing enquires and complaints about the compliance of endorsed building engineers
* monitoring compliance, investigating complaints and taking enforcement action
* conducting internal reviews of endorsement decisions.

The VBA is increasing its efforts to design risk-based regulatory interventions using data, third party organisations and analytics. This enables the VBA to target proactive investigations, inspections, and auditing activities.

Findings that support compliance-monitoring activities are shared with co-regulators, including the BLA. The purpose of data sharing is to improve and inform decision making impacting on joint activities and determine the appropriate regulatory interventions to deter and sanction noncompliance.

It is estimated that on average up to six full time equivalent VPS staff will be required a year to undertake the functions covered by the fixed direct costs.

The fixed direct costs are estimated to be approximately $467,594 a year and are the largest component of the endorsement fees proposed at Section 6.1. For a breakdown of this cost see Appendix 7.

*Fixed indirect costs*

The fixed indirect costs include the strategy, governance and quality assurance required to support the endorsement functions and are estimated to be approximately $53,607 a year. For a breakdown of this cost see Appendix 8.

### Total expected annual cost to government

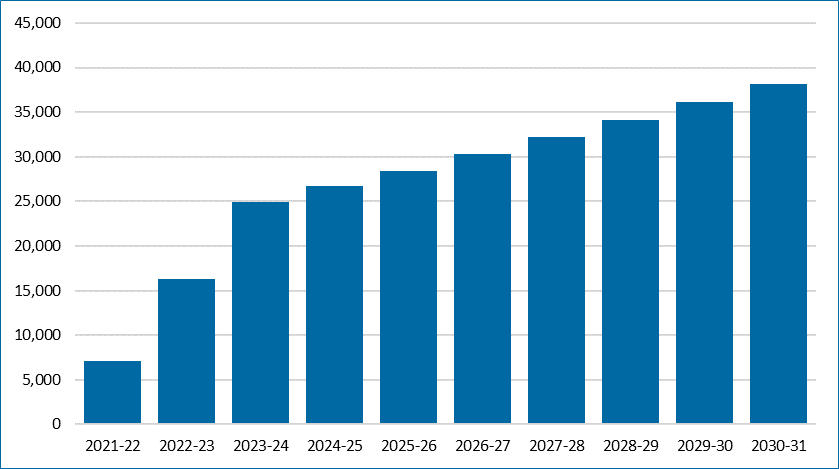
Adding together the cost of the registration, endorsement and supporting regulatory functions, the total cost to the Victorian Government to administer the Professional Engineers Registration Act and the related functions under the Building Act is approximately $6.05 million a year.

### Expected volume of engineers becoming registered over the regulatory period

In addition to the VPS salary costs, a key input to estimating the administrative cost for government is the volume of professional engineers that are expected to be registered over the 10-year regulatory period.

When the Professional Engineers Registration Act commences on 1 July 2021, it is expected that a stock of around 20,400 professional engineers will be eligible to apply for registration. However, as mandatory registration will be phased-in over the first two-and-a-half-years of operation, the expected number of registrations is not anticipated to exceed 20,400 until 2023-24, i.e. when registration is fully implemented. Figure 4 shows the number of professional engineers expected to be registered in Victoria over the 10-year regulatory period. For additional information on this volume schedule, including the calculation methodology, see Appendix 9 and Appendix 10.

**Figure 4: Expected number of registered professional engineers (total volume)**



Source: Department of Justice and Community Safety

Based on the volume schedule outlined in Table 28 of Appendix 10, the average number of registered professional engineers over the next 10 years is expected to be around 27,400. The average number of expected registered professional engineers is fundamental in determining how the costs to government are distributed to arrive at the proposed fees.

Of the estimated number of professional engineers, it is expected that approximately 5,866 or 22 per cent will have their registrations endorsed to practise in the building industry. The estimated endorsement volumes are detailed in Appendix 11.

## Options

The proposed fee options have been designed to address the policy issues identified in section 2.3 including the distribution of costs between practising and non-practising professional engineers, and first registrations and renewal registrations. This approach focuses the impact assessment on the choice of whether to charge fees or not as well as the fee design choices involved in meeting the objectives.

A base case and four options with different registration and renewal fee designs are presented and discussed. The registration and renewal fee designs recover the fixed direct and fixed indirect costs outlined in section 4.2.1.

In addition, each option includes application, endorsement and register fees set at the same amount for each option. The application fee recovers the variable direct costs in section 4.2.1 while the endorsement fees (first application, renewal and annual statement) recover the endorsement costs detailed in section 4.2.2.

* **Base case** – no fees are set for the registration and endorsement of professional engineers and to search, copy or obtain an extract of the register of professional engineers.
* **Option 1** – full cost recovery through a fee design that sets the registration and renewal of registration fees for a non-practising professional engineer at 50 per cent of the fees for a practising professional engineer.
* **Option 2** – full cost recovery through a fee design that sets the registration and renewal of registration fees for a non-practising professional engineer at 20 per cent of the fees for a practising professional engineer.
* **Option 3** – full cost recovery through a fee design that sets no fees (or a zero fee) for the registration and renewal of registration for non-practising professional engineers.
* **Option 4** – full cost recovery through a fee design that is based on Option 2 and sets a 15 per cent higher fee for the renewal of a registration.

Table 5 summaries the fees proposed under each of the options. The shaded rows highlight where the proposed fees differ between the options.

**Table 5: Summary of fees proposed under options 1, 2, 3, and 4**

| Fee description | Option 1 Fees | Option 2 Fees | Option 3 Fees | Option 4 Fees |
| --- | --- | --- | --- | --- |
| ***Registration fees*** |  |  |  |  |
| Application for registration (for 3 years) | $85.68 | $85.68 | $85.68 | $85.68 |
| Application to add an area of engineering | $85.68 | $85.68 | $85.68 | $85.68 |
| Registration of professional engineer – practising (for 3 years) | $442.62 | $445.32 | $447.14 | $406.07 |
| Registration of professional engineer – non-practising (for 3 years) | $221.31 | $89.06 | $0 | $81.21 |
| Application for renewal of registration (for 3 years) | $85.68 | $85.68 | $85.68 | $85.68 |
| Renewal of registration of a professional engineer – practising (for 3 years) | $442.62 | $445.32 | $447.14 | $466.98 |
| Renewal of registration of a professional engineer – non-practising (for 3 years) | $221.31 | $89.06 | $0 | $93.40 |
| ***Endorsement fees*** |  |  |  |  |
| Application for endorsement (for 3 years) | $218.46 | $218.46 | $218.46 | $218.46 |
| Application for renewal of endorsement (for 3 years) | $218.46 | $218.46 | $218.46 | $218.46 |
| Annual endorsement statement | $109.95 | $109.95 | $109.95 | $109.95 |
| ***Register fees*** |  |  |  |  |
| Search, copy and extract of the register | $49.81 | $49.81 | $49.81 | $49.81 |
| Certified copy and extract of the register | $49.81 | $49.81 | $49.81 | $49.81 |

### Base case – proposed Fees Regulations are not made

The base case is that the proposed Fees Regulations are not made.

This means that fees would not be set to recover the costs incurred by government for the regulation of professional engineers resulting in at least $6.05 million a year not being recovered. This deficit would need to be met from other funding sources, such as a taxpayer subsidy.

The purpose of the base case is to represent the situation where no further action is taken. Therefore, the evaluation of the four full cost recovery options against the base case represents the direct impact of the four alternative fee designs.

### Decision element 1 – Options for distributing costs between practising and non-practising engineers – horizontal equity

As identified in the problem statement in Chapter 2, the compliance and enforcement costs of administering professional engineer registration in Victoria are expected to be higher for practising professional engineers compared to non-practising professional engineers. As a result, charging the same registration fee to both categories of professional engineer would result in an inefficient transfer from non-practising professional engineers to practising professional engineers. To address this issue, Decision Element 1 includes three options for cost recovery where non-practising professional engineers would pay fees for registration and renewal that are less than those paid by practising professional engineers.

*Option 1: Full cost recovery – a 50 per cent registration and renewal fee for non-practising professional engineers*

In Queensland, the only other Australian state or territory that registers professional engineers, the registration and renewal fee for a non-practising professional engineer is about 50 per cent less than the registration fee for a practising professional engineer.Given that the Professional Engineers Registration Act is largely adopted from the Queensland *Professional Engineers Act 2002* and the level of experience Queensland has regulating professional engineers, a similar approach to the distribution of costs is proposed under Option 1. For the fees proposed under Option 1 see Table 5.

*Option 2: Full cost recovery – a 20 per cent registration and renewal fee for non- practising professional engineers*

Option 2 involves a distribution where the fee for registration and renewal of a registration for a non-practising professional engineer is 20 per cent of the fee proposed for a practising professional engineer. This distribution has been selected for evaluation based on an estimate of the fixed direct costs relating to the registration of non-practising professional engineers.

While non-practising professional engineers are not providing professional engineering services some administrative activities continue to apply to their registration, such as information and online education, policy analysis and strategy and governance activities for the scheme, along with a small proportion of compliance monitoring costs (to ensure they do not provide professional engineering services) and registration processing costs (triennial renewals and any change of practising status). For the fees proposed under Option 2 see Table 5.

*Option 3 – Full cost recovery – no fee (or a zero fee) for the registration and renewal of registration of non-practising professional engineers*

For comparison, Option 3 tests whether there is merit in charging no registration fee for non-practising professional engineers. This option would likely involve a cross-subsidisation between practising and non-practising professional engineers – effectively meaning a transfer of liability for costs from practising professional engineers to their non-practising counterparts. For the fees proposed under Option 3 see Table 5.

### Decision element 2 – Option for distributing costs between a first registration and the renewal of a registration – vertical equity

Also identified in the problem statement in Chapter 2 was that the capacity for professional engineers to pay registration fees is assumed to change with respect to their career progression. That is, an engineer at an earlier stage in their career is likely to have reduced earning potential when compared to an engineer at a later stage in their career. As a result, the fee-paying capacity of early career stage engineers is less than that of later career stage engineers. This scenario gives rise to concerns around vertical equity.

The simplest method of isolating early stage career engineers from later stage career professional engineers and achieving a more vertically equitable outcome is by charging a reduced fee for those seeking their first registration compared to those professional engineers that are renewing their registration. This form of pricing strategy is referred to as ‘price discrimination’.

This simplistic form of price discrimination is not expected to accurately capture the differing stages of careers in the initial years of the operation of the Professional Engineers Registration Act, as all eligible professional engineers regardless of career stage will seek their first registration during this period. However, it will reduce the financial costs for all professional engineers in the early years of the operation of the Professional Engineers Registration Act when time costs are likely to be highest in navigating the new requirements. Once the scheme is fully implemented, this mechanism should assist early stage professional engineers to become registered.

The decision point with respect to addressing vertical equity concerns is whether a more vertically equitable fee structure achieves a better overall outcome than the alternative of no price discrimination between first registrations and renewals.

*Option 4 – Full cost recovery – Option 2 plus a 15 per cent higher fee for the renewal of a registration*

Option 4 proposes for analysis a fee structure with a 15 per cent difference between the first registration fee and renewal fee. The difference in fees is based on the expected difference in salary between a professional engineer with five years’ experience (around $105,900 a year) compared to a professional engineer with at least eight years’ experience (around $122,200 a year), i.e. the minimum time required for a registered professional engineer to be at the point of renewal.[[33]](#footnote-34)

Additionally, Option 4 is based on Option 2, which proposes that non-practising registration and renewal fees are 20 per cent of the fees for practising professional engineers. For the fees proposed under Option 4 see Table 5.

# Impact analysis

The impact analysis outlined below includes a Multi-Criteria Analysis (MCA) that focuses on the policy decisions of whether to recover the government’s regulatory costs from professional engineers, or to have the costs met by the government through general tax revenue; and whether non-practising and initial registration fees should be lower than the practising and renewal fees, respectively.

## Decision making framework

The MCA focusses on the problems identified and uses the objectives of the proposed Fees Regulations to guides the decision-making in this RIS. This approach clearly highlights the qualitative implications of making one choice over others.

The MCA uses weighted criteria to assess and score the options described in Chapter 4 against the base case, see section 4.3. The option with the highest overall weighted score is the preferred fee design compared to the base case of no fees.

### MCA criteria

The criteria underpinning the MCA are set out in Table 6. They draw on the objectives of the proposed Fees Regulations of efficiency, effectiveness and equity.

**Table 6: MCA decision criteria**

| Criterion | Definition |
| --- | --- |
| Efficiency  Weighting: 0.25 | *Efficiency* refers to the extent to which the proposed fees reflect the underlying costs of the registration/renewal activities being undertaken, and whether these price signals send accurate information to the professional engineering services market about the value of those activities.  In the general case, fees set below the efficient level would result in greater demand for registrations and increase the administrative costs associated with maintaining the scheme. Conversely, fees set above the efficient level would result in lower demand for registrations and may impact the ongoing financial viability of the scheme if the fixed costs are not recovered. |
| Effectiveness  Weighting: 0.35 | *Effectiveness* refers to the extent to which the proposed fees create perverse incentives for non-compliance or result in other unintended consequences.  For example, fees set above an effective level may deter new engineers from entering the market as students substitute study preferences for professions that have lower or no registration/entry fees. The reduced supply of new professional engineers would likely have a negative impact on the competitiveness of the Victorian professional engineering services market. |
| Equity  Weighting: 0.40 | Equity refers to the extent to which the fees recover costs in an equitable way and includes:   * horizontal equity – those who incur the cost and/or benefit from the scheme (i.e. uses a particular service), are the ones that pay the requisite fee; this directly aligns with the user pays principle * vertical equity – those with a greater capacity to pay fees contribute more than those with a lower capacity to pay.   For example, in terms of horizontal equity, funding the administration of the Professional Engineers Registration Act on an ongoing basis via appropriations from the Consolidated Fund would be inequitable, unless the benefits of the scheme could be expected to accrue to all Victorian taxpayers. Vertical equity may be in tension with horizontal equity because capacity to pay is distinct from user pays considerations. |

### Weighting of criteria

Feedback received through the first round of public consultation informed the respective weightings of the MCA criteria. Prior to that process, an equal weighting was proposed for each criterion, i.e. a weighting of 0.33 per criterion. However, feedback suggested that respondents valued equity as the most important decision-making consideration, followed by effectiveness and efficiency. Accordingly, the criteria have been reweighted to those listed in Table 6.

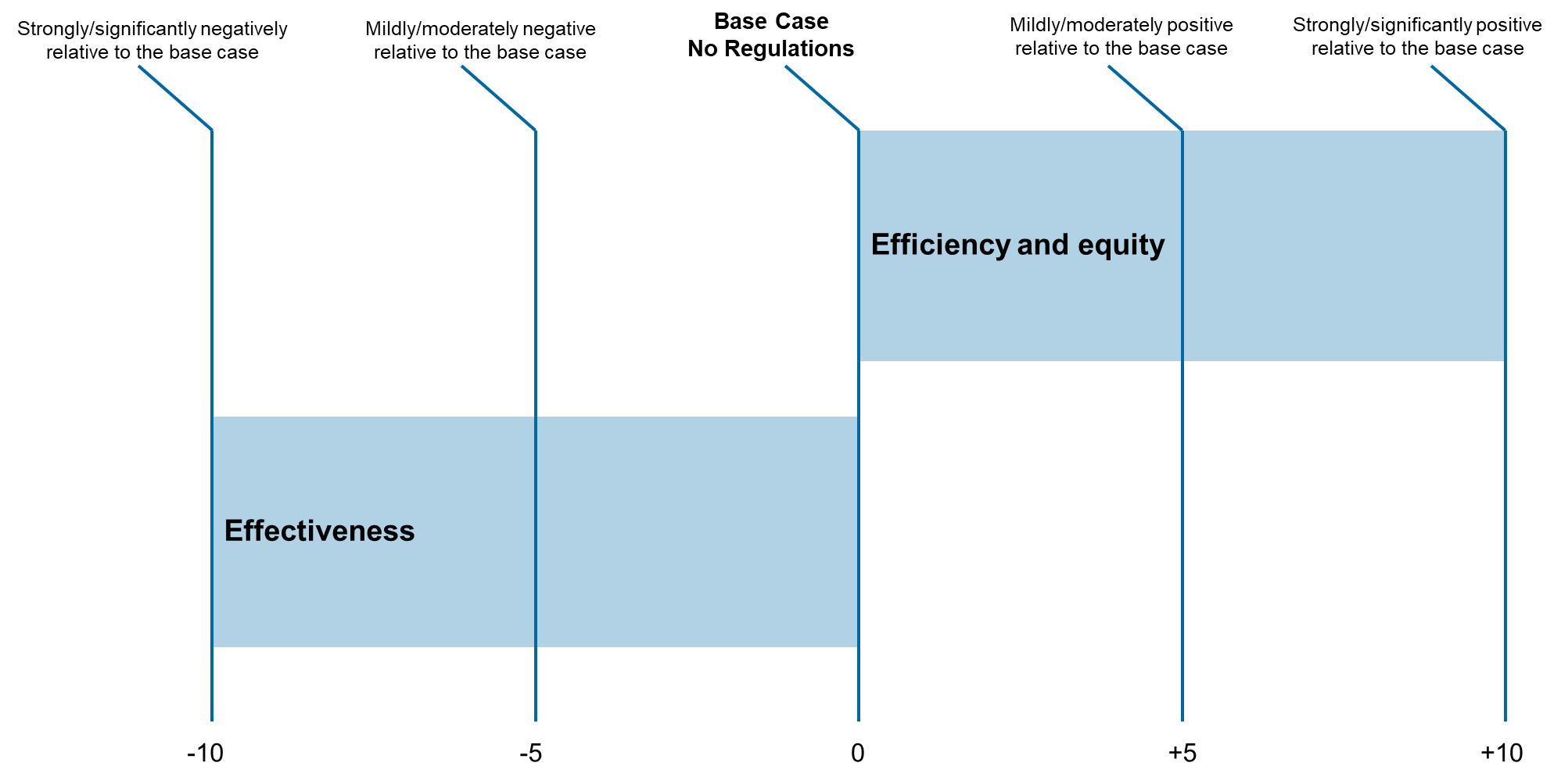
Placing most emphasis on ‘equity’ is justified from the perspective that existing government policy states that those that stand to benefit from government-provided services should share the greatest proportion cost recuperation.

Further, increasing the emphasis on ‘effectiveness’ is justified from the perspective that there is a material risk that perverse incentives could negatively impact the engineering sector, e.g. registration fees may deter new engineers from entering the market.

### Scoring criteria

Each option is scored against the MCA criteria relative to the base case, which is scored at zero, using the scale shown in Figure 5.

**Figure 5: MCA analysis scale used to score options**



Efficiency and equity are scored between 0 and +10.

|  |  |
| --- | --- |
| **Score** | **Meaning** |
| 0 | A zero score does not further cost recovery in an equitable way relative to the base case. |
| +10 | A positive score achieves cost recovery from users based on capacity to pay to the greatest extent possible. |

A negative score is not possible for efficiency and equity as options contrary to these objectives would not be considered.

Effectiveness is scored from –10 to 0.

|  |  |
| --- | --- |
| **Score** | **Meaning** |
| -10 | A negative score creates significant barriers to market entry and perverse incentives including for non-compliance relative to the base case. |
| 0 | A zero score does not add perverse incentives or unintended consequences relative to the base case. |

The base case is scored at zero as a benchmark. The base case of no fees would be:

* highly inefficient and would likely increase the long-term regulatory burden of the government, through demand for regulatory services greater than that demanded at an otherwise efficient level
* highly effective as there would be no financial incentive for a person to choose not to comply with the Professional Engineers Registration Act
* highly inequitable because those that receive the greatest benefit from registration are not accountable for the associated costs.

## Analysis of options

### Table 7 provides a summary of the scores allocated to each option in the following section. Option 4 achieves the highest MCA score.

**Table 7: Summary of scores for the MCA analysis of options 1, 2, 3 and 4**

|  |  | **Option 1** | | **Option 2** | | **Option 3** | | **Option 4** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Criteria | Weighting | Score | Weighted Score | Score | Weighted Score | Score | Weighted Score | **Score** | **Weighted Score** |
| Efficiency | 25% | +5 | 1.25 | +7 | 1.75 | +5 | 1.25 | +6 | 1.50 |
| Effectiveness | 35% | -2 | -0.70 | -3 | -1.05 | -3 | -1.05 | -2 | -0.70 |
| Equity | 40% | +5 | 2.00 | +6 | 2.40 | +4 | 1.60 | +7 | 2.80 |
| **Total weighted score** | |  | **2.55** |  | **3.10** |  | **1.80** |  | **3.60** |

### Option 1: Full cost recovery – a 50 per cent registration and renewal fee for non-practising professional engineers

*Efficiency*

Option 1 is moderately more efficient than the base case. It includes registration fees for both practising and non-practising professional engineers which provide a price signal for the regulatory costs incurred by government to ensure public policy objectives are met. However, based on an assessment of risk, the distribution of costs under Option 1 would likely result in a minor inefficient transfer from non-practising engineers to practising professional engineers as the fee for a non-practising engineer would be greater than the underlying cost of the government’s regulatory activities. Therefore, a score of +5 is assigned to this option for efficiency.

*Effectiveness*

This option is slightly worse than the base case because a greater incentive for non-compliance arises from charging fees that increase the overall costs for professional engineers to comply with the Professional Engineers Registration Act. It may also have a marginally negative effect on the willingness of students to study engineering compared to other possible professions. However, Option 1 is the most efficient option as higher registration fees for non-practising engineers would marginally reduce the non-compliance risk for practising professional engineers by reducing their registration fee liability. Based on the experience in Queensland, practising professional engineers are expected to comprise up to 98 per cent of all registered professional engineers. Option 1 is assigned a score of -2 for effectiveness.

*Equity*

Option 1 scores moderately higher than the base case as, to a moderate extent, the user pays principle is met, i.e. the fees professional engineers pay fund the administration of the regulatory scheme. However, its equity is reduced as the private benefit and reduced risk of adverse selection practising professional engineers gain from being registered is partly being funded through the fees paid by non-practising professional engineers. Also, Option 1 does not address the vertical equity concern of the capacity of early career stage engineers to pay registration fees. Therefore, a score of +5 for equity is assigned to Option 1.

*Weighted score*

The total weighted score for Option 1 is +2.55, which is set out in Table 8 along with the scores for each criterion.

**Table 8: MCA Option 1**

| Criteria | Weighting | Score | Weighted Score |
| --- | --- | --- | --- |
| Efficiency | 25% | +5 | 1.25 |
| Effectiveness | 35% | -2 | -0.70 |
| Equity | 40% | +5 | 2.00 |
| **Total weighted score** |  |  | **2.55** |

### Option 2: Full cost recovery – a 20 per cent registration and renewal fee for non-practising professional engineers

*Efficiency*

Option 2 is a significantly more efficient price signal than the base case as it accurately reflects the costs of compliance and enforcement for practising and non-practising professional engineers. As it involves little or no distribution of costs from non-practising to practising professional engineers, it provides accurate information to the professional engineering services market about the value of the government’s regulatory activities. As Option 2 is the most efficient option it is assigned a score of +7.

*Effectiveness*

This option is somewhat less effective than the base case and Option 1. Marginally higher fees for practising professional engineers would be expected to slightly increase their risk of non-compliance relative to non-practising professional engineers. Therefore, this option is assigned a score of -3 in terms of effectiveness.

*Equity*

Option 2 is significantly more equitable compared to the base case and to Option 1. This is because there is not expected to be any transfer between non-practising and practising professional engineers, i.e. the share of costs is balanced with the benefit received and, therefore, best aligns with the principle of ‘user pays’. However, as with Option 1, this option does not address the vertical equity concerns about the capacity of early career stage engineers to pay the initial fee to be registered in the engineering profession. The score for equity assigned to this option is +6.

*Weighted score*

The total weighted score for Option 2 is +3.10, which is set out in Table 9 along with the scores for each criterion.

**Table 9: MCA Option 2**

| Criteria | Weighting | Score | Weighted Score |
| --- | --- | --- | --- |
| Efficiency | 25% | +7 | 1.75 |
| Effectiveness | 35% | -3 | -1.05 |
| Equity | 40% | +6 | 2.40 |
| **Total weighted score** |  |  | **3.10** |

### Option 3 – Full cost recovery – no fee (or a zero fee) for the registration and renewal of registration of non-practising professional engineers

*Efficiency*

Option 3 is moderately more efficient than the base case as it includes fees and thus price signals for practising professional engineers but is not as efficient as Option 2. Option 3 would result in a more substantial transfer of costs from non-practising to practising professional engineers. As no fees are paid by non-practising professional engineers under this option, the fees paid by practising professional engineers would be higher to reflect the underlying cost of the government’s regulatory activities. Therefore, Option 3 is scored at +5 for efficiency.

*Effectiveness*

This option is somewhat less effective than the base case and Option 1, It is scored at -3, the same as Option 2, as even higher registration fees for practising professional engineers are expected to further increase the risk of non-compliance.

*Equity*

Option 3 is somewhat better than the base case. It is the option with the smallest improvement over the base case because of the inequity created through non-practising professional engineers not being liable to pay any registration fees. As a result, practising professional engineers would fund in full the private benefit non-practising professional engineers gain from being registered. As with Options 1 and 2, Option 3 does not address vertical equity concerns. In these circumstances, Option 3 is scored at +4 for equity.

*Weighted score*

The total weighted score for Option 3 is +1.80, which is set out in Table 10 along with the scores for each criterion.

**Table 10: MCA Option 3**

| Criteria | Weighting | Score | Weighted Score |
| --- | --- | --- | --- |
| Efficiency | 25% | +5 | 1.25 |
| Effectiveness | 35% | -3 | -1.05 |
| Equity | 40% | +4 | 1.60 |
| **Total weighted score** |  |  | **1.80** |

### Option 4 – Full cost recovery – Option 2 plus a 15 per cent higher fee for the renewal of a registration

*Efficiency*

As Option 4 is based on Option 2 it is moderately more efficient than the base case as the fees proposed are estimated to be the most accurate reflection of the different costs of providing regulatory activities for practising and non-practising professional engineers. However, Option 4 is marginally less effective than Option 2 because a reduced first registration fee means that the regulatory cost is under-recovered through the first registration fee and, therefore, the outstanding cost recovery is transferred to the renewal fee. A score of +6 for efficiency is assigned to this option.

*Effectiveness*

This option is marginally less effective than the base case, as is the case with Option 2, as fees for registration and renewal increase the risk of non-compliance and unregistered trading. However, the reduced first registration fees slightly increase the effectiveness of this option as it acts as a transitional measure to encourage newly eligible engineers to seek registration, thereby decreasing the non-compliance risk of first registration. Option 4 is assigned a score of -2 for effectiveness.

*Equity*

Option 4 builds on the horizontal equity gains of Option 2 by adding an element to address vertical equity concerns. Therefore, it is a significant improvement over the base case and the most equitable option. It aligns with the user pay principle with respect to the different fee liabilities of practising and non-practising professional engineers and the relationship of those fees to the regulatory costs. As a result, those expected to receive the most benefit from registration, i.e. registered professional engineers, will be accountable for the full costs associated with creating that benefit. Additionally, under Option 4 the price discrimination between initial and renewal registration fees means that those anticipated to have a lower capacity to pay registration fees would be required to pay less than those anticipated to have a higher capacity to pay those fees. For these reasons, Option 4 is scored at +7.

*Weighted score*

The total weighted score for Option 4 is +3.60, which is set out in Table 11 along with the scores for each criterion.

**Table 11: MCA Option 4**

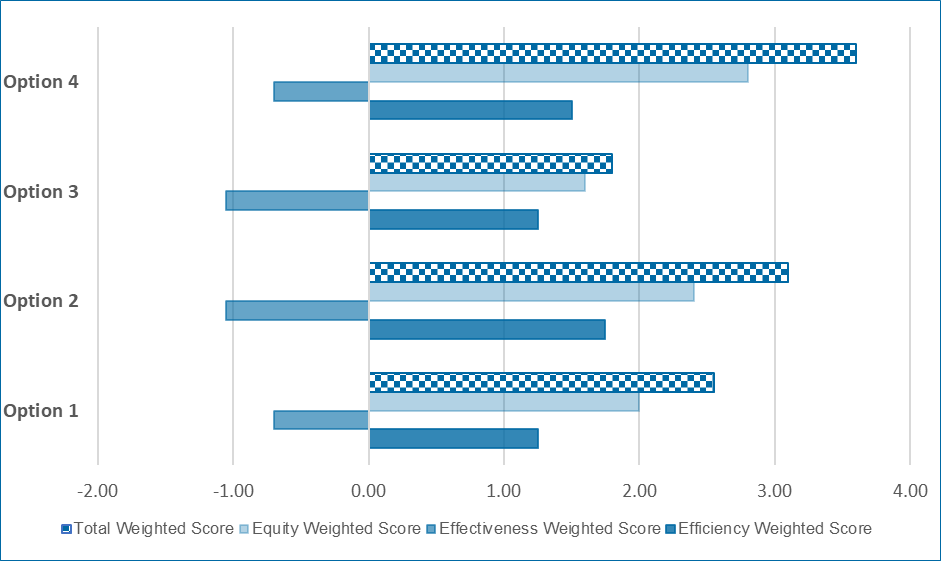
| Criteria | Weighting | Score | Weighted Score |
| --- | --- | --- | --- |
| Efficiency | 25% | +6 | 1.50 |
| Effectiveness | 35% | -2 | -0.70 |
| Equity | 40% | +7 | 2.80 |
| **Total weighted score** |  |  | **3.60** |

### Summary of MCA option analysis

Figure 6 summarises the outcomes of the MCA of the four options. Based on this analysis, Option 4 has the highest weighted score out of all the options against the specified criteria. Option 4 proposes that the:

* non-practising registration fee is 20 per cent of the fee for a practising professional engineer
* renewal fee is 15 per cent higher than the fee for initial registration.

**Figure 6: Summary of MCA options assessment**



Source: Department of Justice and Community Safety

# Preferred option

Option 4 is the preferred option for the proposed Fees Regulations. It sets fees that fully recover the cost to government of administering the Professional Engineers Registration Act and the related functions under the Building Act.

## Proposed fee schedule

Table 12**Error! Reference source not found.**sets out the fees included in the proposed Fees Regulations. The fees are based on the volume of professional engineers expected to be registered over the 10-year regulatory period – an average stock of around 27,400 professional engineers including those who have been endorsed to practise in the building industry – and the total cost to government estimated to be on average approximately $6.05 million a year.

**Table 12: Preferred Option - Option 4 fees converted to fee units**

| Fee description | Proposed fees | Fee Units |
| --- | --- | --- |
| ***Registration fees*** |  |  |
| Application for registration (for 3 years) | $85.68 | 5.79 |
| Application to add an area of engineering | $85.68 | 5.79 |
| Registration of professional engineer – practising (for 3 years) | $406.07 | 27.42 |
| Registration of professional engineer – non-practising (for 3 years) | $81.21 | 5.48 |
| Application for renewal of registration (for 3 years) | $85.68 | 5.79 |
| Renewal of registration of a professional engineer – practising (for 3 years) | $466.98 | 31.53 |
| Renewal of registration of a professional engineer – non-practising (for 3 years) | $93.40 | 6.31 |
| ***Endorsement fees*** |  |  |
| Application for endorsement (for 3 years) | $218.46 | 14.75 |
| Application for renewal of endorsement (for 3 years) | $218.46 | 14.75 |
| Annual endorsement statement | $109.95 | 7.42 |
| ***Register fees*** |  |  |
| Search, copy and extract of the register | $49.81 | 3.36 |
| Certified copy and extract of the register | $49.81 | 3.36 |

The proposed fees for Option 4 are converted into fee units and set out in the proposed Fees Regulations accompanying this RIS. As noted in section 4.2.1, the value of a fee unit for the 2020-21 financial year is $14.81.

## Financial impost of proposed fees on registered professional engineers

Under the Professional Engineers Registration Act there are three broad categories of registered professional engineers:

* a practising professional engineer who **is not** endorsed to practise in the building industry
* a non-practising professional engineer who **is not** endorsed to practise in the building industry
* a practising professional engineer who **is** also endorsed to practise in the building industry.

Based on the proposed fees set out in Table 12**Error! Reference source not found.**, the expected financial impost from the proposed registration and endorsement fees on each category of registered professional engineer is set out in Table 13. The financial impost is estimated to represent on average less than 0.3 per cent of the expected earning of a registered professional engineer a year. See Table 30 in Appendix 12 for additional detail on these calculations.

Professional engineers are expected to incur additional financial costs as a result of the requirement to be registered which are not considered in Table 13 such as the fees to have their qualifications and experience assessed by an assessment entity. However, fees charged by assessment entities are set by the individual entity and are outside the scope of this RIS.

It is anticipated that the fees for an engineer to have their qualifications and experience assessed will be largely determined by the level of competition in the market for assessment entities. A competitive market for assessment entities is being promoted through policies which aim to keep the barrier to market entry as low as practicable. In this regard, the General Regulations set fees to apply for approval of assessment schemes at a level relative to the capacity to pay of assessment entities, which are largely expected to be not-for-profit membership organisations.

***Table 13: Financial impost of proposed fees on registered professional engineers***

| Category of registered professional engineer | Financial impost | | Average (per year) | | Financial impost as a proportion of expected earning potential | |
| --- | --- | --- | --- | --- | --- | --- |
| 3-year period (initial) | 10-year period\* | 3-year period (initial) | 10-year period\* | 3-year period (initial) (%) | 10-year period (%) |
| Practising professional engineer (Not endorsed) | $491.75 | $2,366.52 | $163.92 | $236.65 | 0.15 | 0.17 |
| Non-practising professional engineer (Not endorsed) | $166.89 | $774.36 | $55.63 | $77.44 | N/A | N/A |
| Practising professional engineer (Endorsed) | $935.36 | $4,047.14 | $211.79 | $404.71 | 0.28 | 0.29 |

\* The ten-year figures for non-practising professional engineers have been included for completeness, However, it is not expected that a non-practising professional engineer would maintain non-practising status for such an extended period of time.

## Non-financial impost of registration

The proposed Fees Regulations do not impose any non-financial obligations on professional engineers as they are exclusively concerned with prescribing the fees for registration and endorsement.

The obligation to apply for registration and endorsement, including the form of the application and that it be accompanied by the prescribed fee, is imposed by the Professional Engineers Registration Act. However, as noted in section 4.2.1, the introduction of the myCAV online registration system has resulted in red tape savings for practitioners in other occupational licensing and registration schemes administered by the BLA and CAV. For example, the savings for estate agents and conveyancers from the introduction of myCAV in 2018 were estimated at over $500,000 a year from time saved in completing forms, responding to requests from CAV for missing information, waiting for decisions on applications, and postage and printing. Similar levels of savings are expected to apply to professional engineers using the myCAV online registration portal compared to introducing a baseline electronic registration process.

## Competition assessment

Table 14 lists the questions used to assess whether a proposal is likely to have an impact on competition and assesses the proposed fees against these questions.

While the proposed fees may impose a barrier to entry to the profession for some individuals, the benefits of this restriction are anticipated to outweigh the costs, and furthermore, the objectives of the proposed Fees Regulations can only be achieved by restricting competition in this way.

**Table 14: Competition assessment questions**

| 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? | No | The proposed Fees Regulations are not expected to have an impact on market structure as the amount of the fees is not high enough to create a barrier to entry for professional engineers (relative to earnings, see section 6.2) or professional engineering businesses (relative to profitability see section 6.5). |
| Will it be more difficult for new firms or individuals to enter the industry after the imposition of the proposed measure? | Yes | The fees in the proposed Fees Regulations will increase the barrier to entry to the professional engineering services market. However, as argued in this RIS the financial impost is less than 0.3 per cent of the expected annual earnings of an engineer eligible for registration. |
| 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.)? | No | While the proposed Fees Regulations have lower fees for non-practising professional engineers and for first registrations, they otherwise apply in the same way to engineers working in small businesses and those working part-time. However, as the requirement to register applies to individuals, not businesses, and as the financial impost is less than 0.3 per cent of the expected annual earnings of an engineer, the proposed fees are not expected to significantly disadvantage small businesses and professional engineers working part-time. |
| Will the proposed measure restrict the ability of businesses to choose the price, quality, range or location of their products? | No | The proposed Fees Regulations do not impose any of these restrictions. |
| Will the proposed measure lead to higher ongoing costs for new entrants that existing firms do not have to meet? | No | New entrants will face lower costs as compared to engineers already registered. This price discrimination strategy was used to address concerns around vertical equity. |
| Is the ability or incentive to innovate or develop new products or services likely to be affected by the proposed measure? | No | The proposed Fees Regulations do not have any impact on innovation in the professional engineering sector. |

## Small business impacts

The professional engineering services market in Victoria comprises a mix of engineering consultancies and firms that employ professional engineers to produce products and processes for other industries. While these engineering consultancies and firms are understood to include large, medium sized and small businesses, there is no published data on the composition of the industry in Victoria.

Where professional engineering services are provided by small businesses, they are not expected to be impacted by the proposed Fees Regulations in a significant way.

The registration and endorsement fees apply to individuals. There is no requirement for a professional engineering business to register, and thus there are no separate fees for businesses. In some cases, businesses will pay the registration fees for the professional engineers they employ while in others the liability will remain with the individual.

Where a business takes responsibility for the registration fees for its professional engineers, the proposed fees are unlikely to represent a significant percentage of the profits of engineering businesses. For example, using IBISWorld data on total profit for engineering consultancies in Australia in 2020-21, adjusted for the likely proportion of profit attributable to Victorian engineering businesses, the total cost of administering registration for professional engineers represents approximately 0.82 per cent of the total estimated profits.[[34]](#footnote-35)

Additionally, and as previously noted, where the payment of registration and endorsement fees remains with an individual professional engineer, the financial impost is expected to be marginal based on the expected earnings of professional engineers, regardless of the size of the business in which they are employed.

If the fees for professional engineers registration and endorsement are passed on to clients, who may also be small businesses, the potential increase in charges to those clients will be negligible, given the volume of engineering services provided annually in Victoria, see section 4.1.1.

## Interjurisdictional comparison

Queensland is the only directly comparable jurisdiction with respect to the fees proposed to be charged to professional engineers in Victoria.

Fees for the registration of professional engineers in Queensland are charged every year rather than every three years, as proposed in Victoria. Therefore, Table 15 compares the fee liability over a three and ten-year time horizon. As a simplifying measure to facilitate this indicative comparison, the fees used to calculate the estimated fee liability have not been indexed.

**Table 15: Indicative interjurisdictional fee liability comparison**

| Jurisdiction | Registration | Fee liability | | Difference with Queensland | |
| --- | --- | --- | --- | --- | --- |
| 3-year period (initial)\* ($) | 10-year period\*\*  ($) | 3-year period (initial)\* ($) | 10-year period\*\*  ($) | |
| Queensland | Practising engineer | 775.05 | 2,433.70 | - | - | |
| Non-practising engineer | 419.95 | 1,253.20 | - | - | |
| Victoria | Practising engineer (not endorsed) | 491.75 | 2,149.73 | (283.30) **¯** | (283.97) **¯** | |
| Non-practising engineer (not endorsed) | 166.89 | 704.12 | (252.66) **¯** | (544.58) **¯** | |
| Practising engineer (endorsed) | 930.11 | 3,683.27 | 155.06 **­** | 1,249.57 **­** | |

\* Includes the application and first registration fees.

\*\* Includes the application and first registration fees and renewal fees.

As outlined in Table 15, the fee liability under the proposed Fees Regulations for both practising and non-practising (not endorsed) professional engineers in Victoria is, respectively, $283 and $252 less than corresponding fee liability in Queensland over the first three years of registration.

However, the fee liability for a practising professional engineer who is also endorsed is just over $155 more than the fee liability for a professional engineer in Queensland over the first three years of registration. This difference is the result of Queensland not requiring additional regulation of engineers practising in the building industry. However, to ensure the standard and safety of building work in Victoria, the VBA will continue to monitor the practises of endorsed building engineers and take enforcement action where necessary.

As a further comparison, Table 16 shows how the proposed fees in Victoria compare with Queensland in terms of the revenue generated from a registration. The revenue expected from a registration in Victoria is $45 less than in Queensland. The difference is suspected to arise from the administrative efficiencies in Victoria from a three-year, rather than annual, renewal cycle and from having a larger volume of registered engineers among which to distribute fixed costs.

**Table 16: Revenue per registrant**

|  | Queensland[[35]](#footnote-36) | Victoria |  |
| --- | --- | --- | --- |
| Fees and other receipts | $3,691,614 | $5,150,600 | Average expected revenue, i.e. equal to total annual cost |
| Total no. of registrations | 15,856 | 27,435 | Average no. of registered professional engineers expected over the regulatory period |
| Revenue per registration | $233 | $188 | Annual expected revenue per registration |
|  |  | ($45) | Difference |

# Consultation and implementation

## Consultation

As outlined in section 1.1.2 the consultation process for the setting of fees for professional engineers commenced in August 2020 with the circulation of the Fees Options Discussion Paper to peak engineering associations including:

* Engineers Australia
* Association of Professionals Engineers Australia
* Consult Australia
* Institute of Public Works Engineering Australasia
* Victorian Automobile Chamber of Commerce
* Society of Automotive Engineers – Australasia
* Institute of Fire Engineers Australia
* Association of Consulting Structural Engineers Victoria
* Australasian Institute of Mining and Metallurgy
* Institute of Electrical and Electronic Engineers
* National Electrical and Communications Association
* Institution of Railway Signal Engineers
* Institution of Mechanical Engineers
* Institution of Chemical Engineers
* Institution of Structural Engineers.

The Fees Options Discussion Paper was also provided to an interdepartmental committee comprising representatives from the:

* Department of Justice and Community Safety
* Department of Treasury and Finance
* Department of Environment, Land, Water and Planning
* Department of Transport
* Major Transport Infrastructure Authority
* Infrastructure Victoria
* Victorian Building Authority.

Following this targeted consultation, the Fees Options Discussion Paper along with the General Regulations, a proposed Code of Conduct and guidance material were released to the public for comment for a six-week period from 25 August to 7 October 2020.

As neither CAV nor the BLA had a mailing list of professional engineers in Victoria at this time, the Minister for Consumer Affairs, Gaming and Liquor Regulation issued a media release[[36]](#footnote-37) to alert Victorians to the public consultation. Additionally, information about the consultation was circulated to members by the peak engineering associations and to engineers and others who have registered their interest in the registration of professional engineers on the Victorian Government’s consultation website, Engage Victoria.

Feedback on the high-level approaches to cost recovery outlined in the Fees Options Discussion Paper (see section 1.2.2) informed the identification of the key elements where decisions were needed to determine the options for setting fees, the development of the fee options assessed in this RIS and the weighting of the criteria used to assess the decision elements and the options.

This RIS, and the proposed Fees Regulations, provide the next step in the consultation process and is the formal consultation required by the Subordinate Legislation Act on the proposed fees.

## Implementation

As part of the implementation of the Fees Regulations, professional engineers will be advised of the registration, endorsement, renewal and other fees through several communication channels including:

* providing relevant information to the peak professional engineering associations ahead of the fees coming into effect and working with them to advise professional engineers of the fees
* detailing the fees and registration process on the dedicated web pages for professional engineers on the CAV website
* providing information through the VBA website and channels to engineers practising in the building industry
* using mainstream and social media to refer professional engineers and those interested to the relevant page on the CAV website advising of the fees for professional engineers
* distributing electronic newsletters and/or emails to professional engineers and other interested parties who have registered to receive information on the Professional Engineers Registration Act at Engage Victoria
* listing the fees in the online application and registration forms in myCAV, the public facing component of the digital system supporting many of the occupational licensing and registration schemes administered by CAV.

Enforcement issues are not expected to arise with the collection of fees as payment of the fee must accompany an application for registration, endorsement, renewal and an annual endorsement statement. It is not expected that the proposed fees will trigger non-compliance with the requirement to register. However, compliance and enforcement strategies are being developed to support the commencement of the Professional Engineers Registration Act and the progressive introduction of mandatory registration.

CAV will monitor the implementation of the new fees and will continue to engage with the peak engineering associations to assist in identifying and managing any issues that may arise.

# Review and evaluation

CAV will implement an evaluation strategy to assess the effectiveness of the registration and endorsement fees for professional engineers during the 10-year life of the proposed Fees Regulations.

The evaluation will assess the estimated level of cost recovery against the actual revenue for professional engineer and related transactions. This will enable CAV to assess whether the objectives of the proposed Fees Regulations are being met, or whether there is a need to make amendments to the fees to meet the desired outcomes.

It is proposed to conduct a two-stage post-implementation evaluation.

The first stage evaluation will be conducted once the outcomes of the statutory review required under section 102 of the Professional Engineers Registration Act are finalised and any legislative changes are passed by Parliament but before those changes come into operation.

The second stage will be conducted during the lead-up to the 10-year remaking of the fees with the aim of informing the design and setting of the new fees.

## First stage evaluation

The first stage evaluation is likely to take place in 2025-26, as section 102 of the Professional Engineers Registration Act requires that the statutory review be conducted in 2024-25, that is, after three years of experience has been gained with the operation of the Act.

Before any legislative changes from the statutory review are passed by Parliament and come into operation, it is likely that all the regulations under the Professional Engineers Registration Act will need to be reviewed. Further, by this time, CAV will have had the opportunity to understand the impacts of the proposed Fees Regulations through ongoing engagement with key stakeholders.

The objectives of the first stage evaluation of the proposed Fees Regulations will be to:

* consider the impact of relevant legislative changes (if any) on the proposed Fees Regulations including any changes in internal procedures that may impact on the resources required to regulate professional engineers
* determine whether the fees charged are recovering the cost of regulation, including confirming the actual time and resources required to complete registration and endorsement tasks
* consider the impacts of the proposed fees on professional engineers
* assess whether any adjustments are needed to the types and amounts of the fees to ensure that the objectives of the Fees Regulations continue to be met.

To this end several approaches will be used by CAV including:

* undertaking desktop analysis to determine the consistency of the proposed Fees Regulations with any changes to the Professional Engineers Registration Act
* measuring the actual time taken to complete registration processes noting that these are new processes for CAV and amended processes for the VBA – this will be done through self-assessment by CAV and VBA operational staff
* assessing the number of professional engineer registrations, endorsements and related transactions processed by CAV and the VBA and the trends in the numbers of those transactions
* comparing the cost of regulation against the revenue collected from the fees
* targeted consultation with key stakeholders to determine any unforeseen impact of the proposed Fees Regulations.

Data collected will include transaction processing times, number of transactions, CAV and VBA processing costs and fees revenue collected.

The first stage review will consider any relevant legislative changes from the government’s review of the Victorian building system that impact on the proposed Fees Regulations and will also consider the impacts of the proposed automatic mutual recognition scheme to be introduced under Commonwealth legislation for all registered occupations including professional engineers.

In August 2020, the Australian Treasurer announced that Commonwealth, state and territory treasurers, had agreed to introduce automatic mutual recognition to allow a person licenced or registered in an occupation in one state or territory to be registered to perform the same activities in another state or territory, without the need for further application processes or additional registration or renewal fees.

In December 2020, all states and territories except for the Australian Capital Territory, entered into an Intergovernmental Agreement which, among other matters, sets the target date for the introduction of automatic mutual recognition of 1 July 2021. A consultation paper and an exposure draft of the Commonwealth legislation for automatic mutual recognition were released for public consultation in December 2020.[[37]](#footnote-38)

## Second stage evaluation

The second stage of the evaluation will commence in 2030 in the lead-up to the sunsetting of the Fees Regulations in mid-2031.

The objectives of the second stage evaluation of the proposed Fees Regulations will be to assess whether:

* the revenue collected from the fees continues to represent an efficient, effective and equitable contribution to the cost of regulating professional engineers
* there are any new or unintended consequences of the Fees Regulations that need to be addressed or corrected in relation to the future design of the registration and endorsement fees
* the Fees Regulations are otherwise operating efficiently.

CAV will also consult with the professional engineering associations and government departments and agencies listed in section 7.1 to gather feedback and evidence on the effectiveness of the fees and their impact on professional engineers.

# Reference material

* **Cost Recovery Guidelines, Department of Treasury and Finance,** 2013

<https://www.dtf.vic.gov.au/sites/default/files/2018-01/Cost-Recovery-Guidelines-Jan2013_0.pdf>.

* **The Engineering Profession – A Statistical Overview, Thirteenth Edition Engineers Australia**

<https://www.engineersaustralia.org.au/sites/default/files/resource-files/2017-03/The%20Engineering%20Profession%20-%20A%20statistical%20overview,%2013th%20edition%202017.pdf>.

* **Victorian Guide to Regulation Better Regulation: A handbook for policy makers in Victoria, Department of Treasure and Finance, 2016**

https://www.vic.gov.au/sites/default/files/2019-10/Victorian-Guide-to-Regulation.pdf.

# Appendices

## Appendix 1: Variable direct costs (registration)

Table 17 provides a complete account of the costs incurred by CAV to process applications for registration, endorsement and renewal and to respond to requests to search, copy and obtain an extract of the register of professional engineers.

The table assumes the number of transactions for new registrations and renewals as outlined in the new registrations and renewals volume schedule at Appendix 10.

**Table 17: Variable direct costs (registration)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cost description | VPS grade | Time (minute) per function | Cost per application | Average no. of transactions per year | Cost per year |
| Application for a new registration (section 10(2)(e)(i)) | 2 | 30.56 | $36.50 | 3,484 | $298,526.08 |
| 3 | 12.52 | $17.50 |
| Credit check | - |  | $8.68 |
| Criminal record check | - |  | $23.00 |
| *Subtotal* |  | 43.08 | $85.68 |
|  | | | | | |
| Add an area of engineering new application (section 10(2)(e)(i)) | 2 | 30.56 | $36.50 | 100 | $8,567.89 |
| 3 | 12.52 | $17.50 |
| Credit check | - |  | $8.68 |
| Criminal record check | - |  | $23.00 |
| *Subtotal* |  | 43.08 | $85.68 |
|  | | | | | |
| Application for renewal (section 20) | 2 | 30.56 | $36.50 | 6,312 | $540,821.49 |
| 3 | 12.52 | $17.50 |
| Credit check | - |  | $8.68 |
| Criminal record check | - |  | $23.00 |
| *Subtotal* |  | 43.08 | $85.68 |
|  | | | | | |
| Search and take copy of an extract from, or copy of, the register (section 28(4)) | 2 | 30.00 | $35.83 | 100 | $4,980.70 |
| 3 | 10.00 | $13.98 |
| *Subtotal* |  | 40.00 | $49.81 |
|  | | | | | |
| Obtain certified extract from, or certified copy of, the register(section 28(5)) | 2 | 30.00 | $35.83 | 100 | $4,980.70 | |
| 3 | 10.00 | $13.98 |
| *Subtotal* |  | 40.00 | $49.81 |
| **Total** | | | | | **$857,877** | |

## Appendix 2: Fixed direct costs (registration)

**Table 18: Summary of fixed direct costs (registration)**

| Function | Estimated Regulatory Cost  Yearly average over the 10-year regulatory period July 2021 to 30 June 2031 | Expected Regulatory Activities |
| --- | --- | --- |
| Managing back-end registration functions | $1,105,964 | Activities in an average year include:   * determining applications for registration and renewal – BLA * approving assessment schemes – BLA * verifying online registrations at critical decision points – CAV * reviewing, escalating and recommending action where personal and financial probity checks indicate records of conduct that affect eligibility for registration – CAV * processing the suspension and cancellation of up to 100 registrations and endorsements and the surrender of up to 300 registrations and endorsements * monitoring and quality assuring automated workflows for registration and renewal applications * removing an area of engineering for up to 100 registrations * changing the practising/non-practising status of up to 200 registrations * facilitating applications where applicants are unable to complete the process online * providing ongoing technical, training and operational reporting and administrative support to operational team and management * processing of to 10,000 general enquiries and requests for information from registered engineers in line with experience from other licensing schemes * administering and publishing the public register, and * managing up to 200 internal requests for an extract of the full register to support investigations. |
| Receiving and managing enquires and complaints | $487,293 | In an average year an estimated 8,000 telephone enquiries will be received and 400 complaints will be reviewed and responded to, of which 200 will be triaged as complex complaints about professional engineers. In addition, up to 100 enquiries about assessment schemes and assessment entities will be managed. |
| Monitoring compliance and investigating complaints | $1,592,422 | Operations that will be undertaken in an average year include 100 proactive compliance monitoring activities, over 1,600 CPD audits, over 200 qualification audits, two audits of assessment entities and 25 investigations. |
| Addressing non-compliance and taking disciplinary actions | $497,160 | * On average it is expected CAV will undertake up to 12 disciplinary actions each year, such as enforceable undertakings and show cause actions, initiate three disciplinary proceedings at VCAT or court and prepare for two review hearings. * VCAT will undertake on average two review hearings and three disciplinary hearings. |
| Processing assessment scheme applications for approval | $14,060 | These are the remaining assessment scheme application processing costs. See Appendix 3 for the amount estimated to be recovered through the fixed direct costs. |
| **Total** | **$3,696,899** |  |

## Appendix 3: Methodology for costing the processing of assessment scheme applications

All applications for assessment scheme approval will be considered by an ‘Assessment Scheme Panel’ (ASP) comprising a chair and three other executive level members.

The role of the ASP will be to:

* assess applications for approval of new schemes, and variations and renewals of approved schemes, against the suitability requirements in section 34 of the Professional Engineers Registration Act
* determine what additional information and documentation, if any, is needed from an applicant to make a decision on an application
* determine any conditions to be imposed on the approval of an assessment scheme
* make a recommendation on the approval of a proposed scheme.

Executive support for the ASP will be provided by an officer from CAV. The role of the support officer, among other duties, will include answering enquiries about the approval process, liaising with applicants, arranging meetings, preparing agendas, minutes and correspondence, assisting with the preparation of decisions and other advice and maintaining the public record of assessment entities.

The ASP will on average meet on two to four occasions to consider an application to approve a new assessment scheme or to vary or renew an approved scheme. The number of times it meets will depend on:

* the number of times it must request further information from an applicant and must then meet to consider that information (section 39 of the Professional Engineers Registration Act)
* whether it intends to impose conditions on an application or to refuse an application and must meet to consider the submissions provided by an applicant through the show cause process (sections 48 to 51 of the Professional Engineers Registration Act).

To cost the process for the ASP to consider an application, it is assumed that:

* the process to renew an approved assessment scheme will be the same as the process to approve a new scheme because all elements of the scheme must be re-examined and re-assessed –
* for each application for approval or renewal the ASP will meet once to consider a submitted application (i.e. 0.1 time in Table 19), however the time required to consider an application for variation will be around half the time required to consider an approval or renewal application.
* each application for approval or renewal will on average require one request from the ASP for the applicant to provide further information and one in four applications will require a second request for further information (i.e.1.25 times in Table 19)
* one in four applications for approval and renewal will have conditions imposed and, therefore, will require a show cause process (i.e. 0.25 times in Table 19)
* the process to approve a variation to an assessment scheme will be streamlined compared to the approval and renewal process –
* one in two applications to vary an approved assessment scheme will require a request for further information (i.e. 0.5 times in Table 19)
* applications to vary an approved assessment scheme are not expected to require a show cause process to refuse an approval or impose conditions.

The time commitments for the ASP chair, members and the executive support officer taking into consideration all activities – preparation, meeting attendance, follow-up, conferral, decision documentation and administrative tasks – are set out Table 19.

**Table 19: Assessment panel time commitment**

| **Activity** | **Approval and Renewal**  **No. of hours** | **Variation**  **No. of hours** |
| --- | --- | --- |
| Consider a submitted application  Chair  3 x ASP Members  Executive Support Officer | *(ASP meets 1.0 time)*  13.00  21.00  9.00 | *(ASP meets 1.0 time)*  8.00  10.50  8.00 |
| Consider further information  Chair  3 x ASP Members  Executive Support Officer | (*ASP meets 1.25 times)*  10.00  18.75  11.25 | *(ASP meets 0.5 times)*  4.00  4.50  3.65 |
| Consider a show cause submission  Chair  3 x ASP Members  Executive Support Officer | *(ASP meets 0.25 times)*  3.00  4.50  2.25 | *(ASP does not meet)*  N/A  N/A  N/A |

Therefore, based on the mid-point salaries plus on-costs for the relevant VPS grades and equivalents (including SES1) the total cost of performing these tasks is estimated to be –

* for an approval or renewal $11,781 per application comprising:
* $5,486 to consider a submitted application
* $5,060 to consider further information
* $1,235 to consider a show cause submission
* for an approval or renewal $4,797 per application comprising:
* $3,295 to consider further information
* $1,502 to consider a show cause submission.

Table 20 lists the remaining assessment scheme application processing costs for the three types of applications after the fees prescribed in the General Regulations have been deducted.

**Table 20: Remaining assessment scheme application costs**

| **Application** | **Fee set in General Regulations** | **Remaining cost of processing application** |
| --- | --- | --- |
| Application to approve a new assessment scheme | $4,739 | $7,042 |
| Application to renew approval of expiring assessment scheme | $4,739 | $7,042 |
| Application to vary an approved assessment scheme | $1,288 | $3,509 |

The remaining assessment scheme application processing costs are proposed to be recovered through the fixed direct costs. The average cost to be recovered each year is estimated to be $14,060. This assumes 0.5 applications a year for approval of new schemes (five initial approvals), 0.5 applications for renewal a year (five renewals every five years) and an average of two applications each year for a variation.

## Appendix 4: Fixed indirect costs (registration)

**Table 21: Fixed indirect costs (registration)**

| Function | Estimated Regulatory Cost  Yearly average over the 10-year regulatory period July 2021 to 30 June 2031 | Expected Regulatory Activities |
| --- | --- | --- |
| Informing and educating professional engineers | $77,251 | * In the initial years following the commencement of the Professional Engineers Registration Act the focus will be a series of campaigns to inform professional engineers about the schedule for progressively rolling-out mandatory registration. * In an average year, keeping professional engineers informed about their obligations under the Professional Engineers Registration Act and the digital entry point for registration services will include: * preparing two to three new information documents * delivering three to four seminars/webinars * preparing three to four eNewsletters, and * managing web content and delivering media messages. * In the years of, and following, the statutory review of the Professional Engineers Registration Act (see Chapter 8), there will be increased demand for consultation and information campaigns for the review and any subsequent legislative change. |
| Providing policy and regulatory advice | $209,885 | * Providing policy advice on professional engineering issues to the Minister, CAV executive and other divisions, and to other government agencies. * Responding to stakeholder enquiries on the policy and legislation underpinning the regulatory framework. * Reviewing current and emerging policy issues. * Supporting the development of information and education materials for professional engineers. * Leading the 2024-25 statutory review of the Professional Engineers Registration Act and progressing any subsequent legislative reforms and amendments. * Advising on the drafting of legislation and supporting the passage of legislation through Cabinet and Parliament. * Making and remaking regulations, as required. * Advising on policy and legislative implementation as required. |
| Providing technical support for digital systems | $88,351 | * Maintaining ICT systems including the digital registration system and telephony and workforce management tools. * Providing ongoing expertise to support the dedicated webpages for professional engineers and the hosting infrastructure. |
| Providing strategic governance and executive services | $220,336 | * Providing strategic direction on CAV’s administration of the Professional Engineers Registration Act. * Providing strategic advice and supporting the Minister and the Victorian Government to engage on professional engineering and related matters. * Managing stakeholder partnerships. * Co-ordinating CAV’s response to parliamentary matters on professional engineering. * Representing CAV in government and industry forums considering professional engineering matters. * Assessing, prioritising and reporting on compliance risks. |
| **Total** | **$595,823** |  |

## 

## Appendix 5: VPS salary costs

Table 22 and Table 23 are based on the salary costs under the Victorian Public Service Enterprise Agreement 2020 which was formally approved by the Fair Work Commission on 2 October 2020 and began operation on 9 October 2020. The salary costs are based on mid-point salaries effective at 1 December 2020 and adjusted for on costs for the Department of Justice and Community Safety and the VBA respectively.

**Table 22: Department of Justice and Community Safety - VPS salary and on-const 2020-21**

| Grade | Cost per day\* | Cost per hour\* | Cost per minute\* |
| --- | --- | --- | --- |
| VPS 2 | $544.56 | $71.65 | $1.19 |
| VPS 3 | $637.52 | $83.88 | $1.40 |
| VPS 4 | $724.03 | $95.27 | $1.59 |
| VPS 5\*\* | $821.61 | $108.11 | $1.80 |
| VPS 6\*\* | $1,003.99 | $132.10 | $2.20 |
| VPS 7 | $1,298.13 | $170.81 | $2.85 |
| SES 1 | $1,295.33 | $170.44 | $2.84 |
| SES 2 | $1,708.17 | $224.76 | $3.75 |
| SES 3 | $2,276.55 | $299.55 | $4.99 |

\* Including deemed rent and accommodation costs sourced from internal Department of Justice and Community Safety guidelines.

\*\*The daily sessional rate for a BLA member with oncosts is between to the daily cost for a VPS5 and VPS6.

**Table 23: Victorian Building Authority - VPS salary and on-costs 2020-21**

| Grade | Cost per day\* | Cost per hour\* | Cost per minute\* |
| --- | --- | --- | --- |
| VPS 2 | $521.31 | $70.64 | $1.18 |
| VPS 3 | $612.82 | $83.04 | $1.38 |
| VPS 4 | $724.03 | $94.26 | $1.57 |
| VPS 5 | $794.93 | $107.71 | $1.80 |
| VPS 6 | $976.58 | $132.33 | $2.21 |
| SES1 | $1,392.79 | $188.73 | $3.15 |

\* including actual rent and accommodation costs.

## Appendix 6: Variable direct costs (endorsement advice)

**Table 24: Variable direct costs (endorsement advice)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Cost description** | **VPS grade** | **Time (minute) per function** | **Cost per application** | **Average no. of transactions per year** | **Cost per year** |
| Application for endorsement to engage in the building industry (section 11(2)(c)) | 2 | 73.65 | $86.71 | 910 | $117,568.50 |
| 3 | 12.05 | $16.68 |
| 4 | 16.40 | $25.76 |
| *Subtotal* |  |  | $129.15 |
|  |  |  |  |  |  |
| Application for renewal of endorsement to engage in the building industry (section 20) | 2 | 73.65 | $86.71 | 1,419 | $183,222.21 |
| 3 | 12.05 | $16.68 |
| 4 | 16.40 | $25.76 |
| *Subtotal* |  |  | $129.15 |
|  |  |  |  |  |  |
| Annual endorsement statement (section 21) | 2 | 27.00 | $31.79 | 1,521 | $74,235.61 |
| 3 | 7.35 | $10.18 |
| 4 | 0.00 | $0.00 |
| Subtotal |  |  | $41.97 |
|  |  |  |  | **Total** | **$375,026** |

## Appendix 7: Fixed direct costs (endorsement advice)

**Table 25: Fixed direct costs (endorsement advice)**

| Function | Estimated Regulatory Cost  Yearly average over the 10-year regulatory period July 2021 to 30 June 2031 | Expected Regulatory Activities |
| --- | --- | --- |
| Managing back-end endorsement functions | $201,511 | Activities in an average year include processing approximately:   * 117 changes of details of an endorsed building engineer * 586 changes to an endorsement resulting from a change of registration between practising and non-practising * 3,367 updates to the professional indemnity insurance of endorsed building engineers * 37 applications to surrender an endorsement |
| Receiving and managing enquires and complaints | $128,623 | Activities in an average year include responding to up to 3,808 enquiries. |
| Monitoring compliance, investigating complaints and enforcement | $80,697 | Activities in an average year include managing complaints and taking up to 7 disciplinary action a year. |
| Internal review of disciplinary decisions | $56,763 | Activities in an average year include conducting up to 3 internal reviews. |
| **Total** | **$467,594** |  |

## Appendix 8: Fixed indirect costs (endorsement advice)

**Table 26: Fixed indirect costs (endorsement advice)**

| Function | Estimated Regulatory Cost  Yearly average over the 10-year regulatory period July 2021 to 30 June 2031 | Expected Regulatory Activities |
| --- | --- | --- |
| Quality assuring endorsement processes | $53,607 | * Providing strategic direction on the administration of the Building Act with respect to endorsed building engineers. * Providing strategic advice and supporting the Minister and the Victorian Government to engage on building industry matters relating to endorsed building engineers. * Managing stakeholder partnerships. * Quality assurance of internal decisions and processes. |
| **Total** | **$53,607** |  |

## Appendix 9: Expected stock of professional engineers over the 10‑year regulatory period

Table 27 shows the expected stock of registered professional engineers over the coming decade. The model uses Australian Bureau of Statistics (ABS) employment data[[38]](#footnote-39) to calculate a projection – using logistic regression – of the number of ‘engineering professionals’ expected to be employed in Victoria from 2021-22 to 2030-31. The ABS definition of ‘engineering professional’ is broader than the definition of a professional engineer under the Professional Engineers Registration Act, therefore registered professional engineers represent a subset of engineering professionals.

Based on the relationship between the ABS data for engineering professionals employed in Queensland and the number of registered professional engineers of Queensland reported in the Annual Reports of the Board of Professional Engineers of Queensland, Figure 7 shows the number of professional engineers expected to register in Victoria. While the relationship between employed engineering professionals in Victoria and the number of registered professional engineers in Victoria may not necessarily mimic that observed in Queensland, there is no superior evidence available to construct these forecasts.

The introduction of an automatic mutual recognition scheme for licensed and registered occupations that covers engineering could also have an impact on the number of registrations in Victoria, but work to develop and implement such a scheme is at too early a stage to be able to identify and incorporate impacts with any confidence.

#### *Model assumptions*

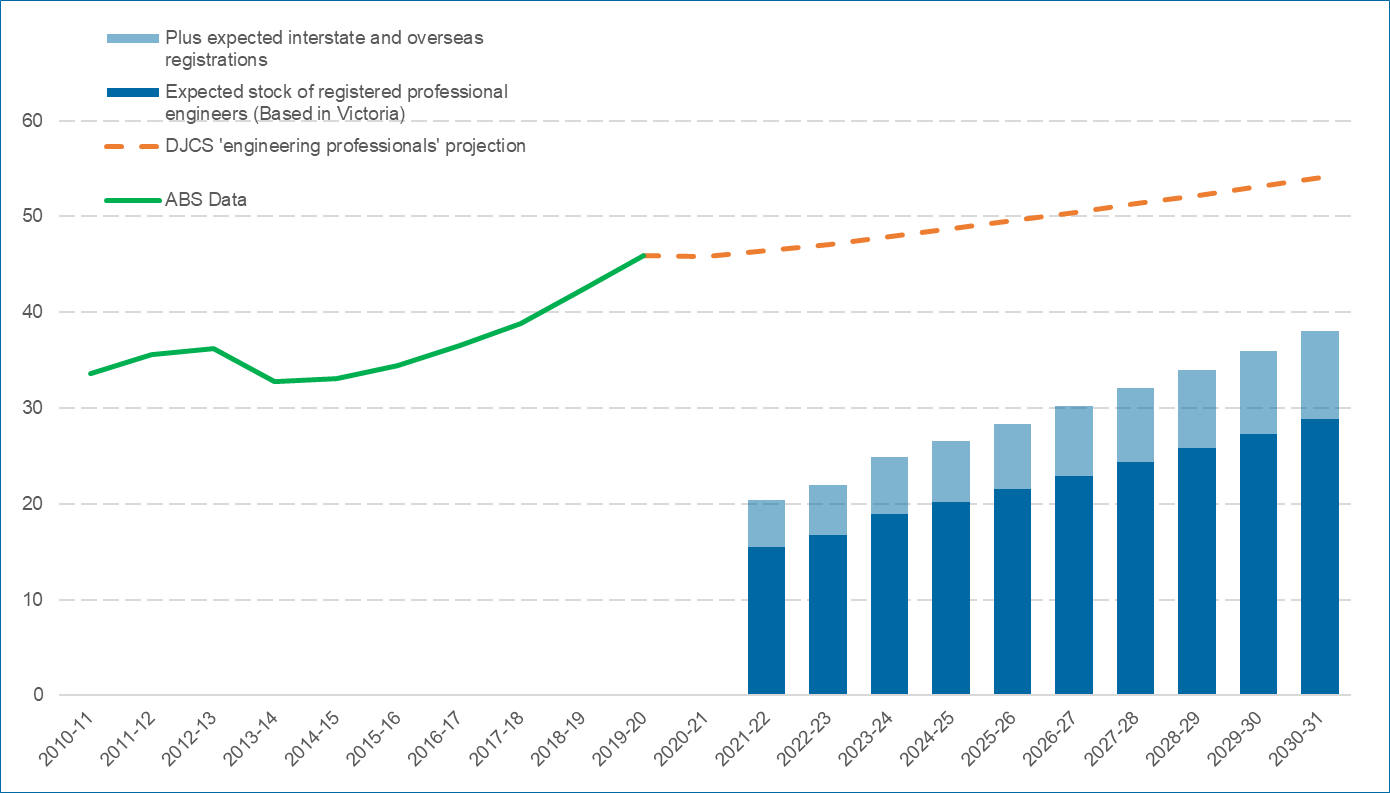
1. The number of engineers to be registered in Victoria relative to the total number of engineers employed as ‘engineering professionals’ in Victoria, is the same proportion as the number of engineers registered in Queensland relative to the total number of engineers employed as ‘engineering professionals’ in Queensland.
2. The number of employed ‘engineering professionals’ in Victoria (based on ABS labour force data) will grow at a rate determined by regression analysis of the previous decade’s data.
3. The percentage of interstate and overseas registrations is around 31.7 per cent – based on analysis of Queensland registration data from 2016-17 to 2018-19.

**Table 27: Professional engineers, stock and flow forecast (thousands)**

| Period | ABS data[[39]](#footnote-40) | Department of Justice and Community Safety 'engineering professionals' projection | Expected stock of professional engineers (Based in Victoria) | Plus, expected interstate and overseas registrations | Total Victorian professional engineer stock\* | Year-on-year level change (flow) | Year-on-year percentage change (%) |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2010-11 | 33.6 | – | – | – | – | – | – |
| 2011-12 | 35.6 | – | – | – | – | – | – |
| 2012-13 | 36.3 | – | – | – | – | – | – |
| 2013-14 | 32.8 | – | – | – | – | – | – |
| 2014-15 | 33.0 | – | – | – | – | – | – |
| 2015-16 | 34.4 | – | – | – | – | – | – |
| 2016-17 | 36.5 | – | – | – | – | – | – |
| 2017-18 | 38.8 | – | – | – | – | – | – |
| 2018-19 | 42.4 | – | – | – | – | – | – |
| 2019-20 | 46.0 | – | – | – | – | – | – |
| 2020-21 | – | 45.8 | – | – | – | – | – |
| 2021-22 | – | 46.4 | 15.5 | 4.9 | 20.4 | – | – |
| 2022-23 | – | 47.1 | 16.7 | 5.3 | 22.0 | 1.6 | 7.6 |
| 2023-24 | – | 47.9 | 18.9 | 6.0 | 24.9 | 2.9 | 13.1 |
| 2024-25 | – | 48.7 | 20.2 | 6.4 | 26.6 | 1.7 | 6.9 |
| 2025-26 | – | 49.6 | 21.5 | 6.8 | 28.4 | 1.8 | 6.6 |
| 2026-27 | – | 50.4 | 22.9 | 7.3 | 30.2 | 1.8 | 6.4 |
| 2027-28 | – | 51.3 | 24.3 | 7.7 | 32.1 | 1.9 | 6.2 |
| 2028-29 | – | 52.2 | 25.8 | 8.2 | 34.0 | 1.9 | 6.0 |
| 2029-30 | – | 53.1 | 27.3 | 8.7 | 36.0 | 2.0 | 5.9 |
| 2030-31 | – | 54.0 | 28.9 | 9.2 | 38.0 | 2.0 | 5.7 |

\*The expected stock and flow of professional engineers shown against periods 2020-21 and 2021-22, highlighted in blue in Table 27, does not account for areas of engineering being progressively phased-in. By 2023-24, once registration is fully implemented, the expected stock of professional engineers shown in Table 27 is anticipated to match the expected number of registered professional engineers in Table 28.

**Figure 7: ABS ‘engineering professionals’ data and professional engineers, stock forecast (thousands)**



## Appendix 10: Volume of registered professional engineers

Table 28 shows how the stock of expected registered professional engineers translates to new registrations and renewals over the 10-year regulatory period. For the purposes of fee determinations, the average number of new registrations and renewals over the regulatory period has been used.

**Table 28: New registrations and renewals volume schedule**

|  | Year 1  2021-22 | Year 2  2022-23 | Year 3  2023-24 | Year 4  2024-25 | Year 5  2025-26 | Year 6  2026-27 | Year 7  2027-28 | Year 8  2028-29 | Year 9  2020-30 | Year 10  2030-31 | Average |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Opening balance | 3,301\* | 7,154 | 16,294 | 24,972 | 26,684 | 28,455 | 30,282 | 32,165 | 34,103 | 36,096 | – |
| Closing balance | 7,154 | 16,294 | 24,972 | 26,684 | 28,455 | 30,282 | 32,165 | 34,103 | 36,096 | 38,143 | 27,435 |
| New registrations | 3,854 | 9,140 | 8,678 | 1,712 | 1,771 | 1,827 | 1,883 | 1,938 | 1,993 | 2,047 | 3,484 |
| Renewals | 1,540 | 779 | 740 | 5,620 | 9,663 | 8,853 | 6,892 | 10,747 | 10,040 | 8,248 | 6,312 |
| New registrations + renewals | 5,394 | 9,919 | 9,418 | 7,332 | 11,433 | 10,680 | 8,775 | 12,685 | 12,032 | 10,296 | 9,796 |

\*The opening balance in Year 1 represents the number of registered building engineers that will be automatically deemed into the new registration system as a result of being a current registered building practitioner in the category of engineer at 30 June 2020.

#### *Model assumptions*

1. As the Act only applies to natural persons, employees of companies previously registered under the Building Act may require registration from 1 July 2021. In the absence of data on the number of company employees likely to require registration, a company multiplier of five (5) has been included in the model to account for these expected registrations.
2. A proportion of registrations will not renew for reasons including, retirement and resignation. Analysis of Queensland registration data over the 10-year period 2010-11 to 2019-20, reveals the average rate of attrition was 0.94. A similar attrition rate has been applied to the model for Victoria.

## 

## Appendix 11: Volume of endorsed building engineers

**Table 29: New endorsements and renewals volume schedule**

|  | Year 1  2021-22 | Year 2  2022-23 | Year 3  2023-24 | Year 4  2024-25 | Year 5  2025-26 | Year 6  2026-27 | Year 7  2027-28 | Year 8  2028-29 | Year 9  2020-30 | Year 10  2030-31 | Average |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Opening balance | - | 1,943 | 3,137 | 4,305 | 5,288 | 6,081 | 6,556 | 7,041 | 7,557 | 8,097 | 5001 |
| Closing balance | 1,943 | 3,137 | 4,305 | 5,288 | 6,081 | 6,556 | 7,041 | 7,557 | 8,097 | 8,650 | 5,866 |
| New endorsements | 415 | 435 | 455 | 477 | 499 | 523 | 548 | 574 | 601 | 629 | 516 |
| Renewals | - | - | - | 1,944 | 1,207 | 1,188 | 2,953 | 1,715 | 1,701 | 3,479 | 1,419 |
| New registrations + renewals | 415 | 435 | 455 | 2,421 | 1,706 | 1,711 | 3,501 | 2,289 | 2,302 | 4,108 | 1,934 |

## Appendix 12: Financial impost of proposed Fees Regulations

Table 30 shows the expected fees paid by a typical engineer over the 10-year regulatory period. The table clearly shows that the financial impost of the proposed Fees Regulations only represents a small percentage (less than 0.3 per cent, a year on average) of the earnings potential for a registered professional engineer.

For illustrative purposes, non-practising engineer fees have been included, however, it is not anticipated that a typical non-practising engineer will maintain the status of non-practising for an extended period of time.

**Table 30: Indicative schedule of fees paid by a typical registered professional engineer**

|  | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 6** | **Year 7** | **Year 8** | **Year 9** | **Year 10** | **Total** | | **Average** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** | **2029-30** | **2030-31** | **3-year period (initial)** | **10-year period** | **3-year period (initial)** | **10-year period** |
| Victoria - Practising Engineer (Not endorsed) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Registration application fee | $85.68 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $85.68 | $85.68 | $28.56 | $8.57 |
| Registration fee - practising | $406.07 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $406.07 | $406.07 | $135.36 | $40.61 |
| Renewal application fee | $0.00 | $0.00 | $0.00 | $90.26 | $0.00 | $0.00 | $96.49 | $0.00 | $0.00 | $103.90 | $0.00 | $290.65 | $0.00 | $29.06 |
| Renewal fee - practising | $0.00 | $0.00 | $0.00 | $491.93 | $0.00 | $0.00 | $525.88 | $0.00 | $0.00 | $566.32 | $0.00 | $1,584.12 | $0.00 | $158.41 |
| **Fees paid in period** | **$491.75** | **$0.00** | **$0.00** | **$582.18** | **$0.00** | **$0.00** | **$622.37** | **$0.00** | **$0.00** | **$670.22** | **$491.75** | **$2,366.52** | **$163.92** | **$236.65** |
| **Fees paid as a proportion of earnings potential** | **0.46%** | **0.00%** | **0.00%** | **0.47%** | **0.00%** | **0.00%** | **0.42%** | **0.00%** | **0.00%** | **0.38%** | **0.15%** | **0.17%** | **0.15%** | **0.17%** |
| Victoria - Non-practising Engineer (Not endorsed) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Registration application fee | $85.68 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $85.68 | $85.68 | $28.56 | $8.57 |
| Registration fee - non-practising | $81.21 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $81.21 | $81.21 | $27.07 | $8.12 |
| Renewal application fee | $0.00 | $0.00 | $0.00 | $90.26 | $0.00 | $0.00 | $96.49 | $0.00 | $0.00 | $103.90 | $0.00 | $290.65 | $0.00 | $29.06 |
| Renewal fee - non-practising | $0.00 | $0.00 | $0.00 | $98.39 | $0.00 | $0.00 | $105.18 | $0.00 | $0.00 | $113.26 | $0.00 | $316.82 | $0.00 | $31.68 |
| **Fees paid in period** | **$166.89** | **$0.00** | **$0.00** | **$188.64** | **$0.00** | **$0.00** | **$201.66** | **$0.00** | **$0.00** | **$217.17** | **$166.89** | **$774.36** | **$55.63** | **$77.44** |
| **Fees paid as a proportion of earnings potential** | **0.16%** | **0.00%** | **0.00%** | **0.15%** | **0.00%** | **0.00%** | **0.14%** | **0.00%** | **0.00%** | **0.12%** | **0.05%** | **0.06%** | **0.05%** | **0.06%** |
| Victoria - Practising Engineer (Endorsed) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Registration application fee | $85.68 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $85.68 | $85.68 | $28.56 | $8.57 |
| Registration fee - practising | $406.07 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $406.07 | $406.07 | $135.36 | $40.61 |
| Renewal application fee | $0.00 | $0.00 | $0.00 | $90.26 | $0.00 | $0.00 | $96.49 | $0.00 | $0.00 | $103.90 | $0.00 | $290.65 | $0.00 | $29.06 |
| Renewal fee - practising | $0.00 | $0.00 | $0.00 | $491.93 | $0.00 | $0.00 | $525.88 | $0.00 | $0.00 | $566.32 | $0.00 | $1,584.12 | $0.00 | $158.41 |
| Endorsement - application fee | $218.46 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $218.46 | $218.46 | $72.82 | $21.85 |
| Endorsement - annual statement fee | $0.00 | $111.60 | $113.55 | $0.00 | $118.14 | $120.80 | $0.00 | $126.91 | $130.09 | $0.00 | $225.15 | $721.09 | $75.05 | $72.11 |
| Endorsement - renewal fee | $0.00 | $0.00 | $0.00 | $230.13 | $0.00 | $0.00 | $246.01 | $0.00 | $0.00 | $264.93 | $0.00 | $741.07 | $0.00 | $74.11 |
| **Fees paid in period** | **$710.21** | **$111.60** | **$113.55** | **$812.31** | **$118.14** | **$120.80** | **$868.38** | **$126.91** | **$130.09** | **$935.15** | **$935.36** | **$4,047.14** | **$311.79** | **$404.71** |
| **Fees paid as a proportion of earnings potential** | **0.67%** | **0.10%** | **0.10%** | **0.65%** | **0.09%** | **0.09%** | **0.59%** | **0.08%** | **0.08%** | **0.53%** | **0.28%** | **0.29%** | **0.28%** | **0.29%** |
| Melbourne consumer price index | 1.50% | 1.75% | 2.00% | 2.00% | 2.25% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |  |  | 1.75% | 2.20% |
| Victorian wage price index | 1.75% | 2.00% | 2.25% | 2.50% | 2.75% | 3.00% | 3.00% | 3.25% | 3.25% | 3.50% |  |  | 2.00% | 2.73% |
| Estimated earning potential in period | $105,937 | $111,866 | $118,178 | $124,912 | $132,110 | $139,818 | $148,088 | $156,605 | $165,770 | $175,232 | $335,981 | $1,378,516 | $111,994 | $137,852 |

#### *Model assumptions*

1. The proposed fee schedule in Table 12 is indexed by a projection of the consumer price index (CPI) for Melbourne. The CPI forecast is based on Department of Treasury and Finance macroeconomic aggregates used in the budget papers.[[40]](#footnote-41)
2. Similarly, the Victorian wage price index (WPI) forecast is also based on the same Department of Treasury and Finance macroeconomic aggregates used in the budget papers.
3. Expected engineer earning potential has been adapted from survey data published by Engineers Australia.[[41]](#footnote-42) The model further assumes that earnings potential increases with respect to the number of years of experience an engineer has, i.e. earnings potential increases by more than the WPI in each period.
4. As the Act only applies to natural persons, employees of companies previously registered under the Building Act may require registration from 1 July 2021. In the absence of data on the number of company employees likely to require registration, a company multiplier of five (5) has been included in the model to account for these expected registrations.

1. Section 8(1)(a) of the Subordinate Legislation Act, [↑](#footnote-ref-2)
2. Regulations have a life of 10 years after which they automatically expire and must be remade. [↑](#footnote-ref-3)
3. Section 7 of the Subordinate legislation Act. [↑](#footnote-ref-4)
4. Assessment schemes will be prepared by assessment entities, expected to be engineering associations, and approved by the BLA. They will set out, among other matters, the qualification, experience and CPD requirements for registration and renewal of registration of professional engineers. [↑](#footnote-ref-5)
5. The areas of engineering covered by the Professional Engineers Registration Act will be phased-in in line with the schedule prescribed in the General Regulations. [↑](#footnote-ref-6)
6. ABS, May 2020, 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly. [↑](#footnote-ref-7)
7. Office of Projects Victoria, October 2018, State of Engineering. [↑](#footnote-ref-8)
8. ABS data uses the occupational classification for engineering professionals consistent with ANZSCO *Minor Group 233 Engineering Professionals 122.0*. The ANZSCO definition is broader than the definition of a professional engineer as prescribed in the Professional Engineers Registration Act. Accordingly, the anticipated number of registered professional engineers in Victoria is lower than the number of persons currently employed as an engineering professional. See Appendix 9 for more information. [↑](#footnote-ref-9)
9. ABS, Labour Force, Australia, Detailed, September 2020. [↑](#footnote-ref-10)
10. Department of Justice and Community Safety analysis of ABS, Labour Force, Australia, Detailed, September 2020. [↑](#footnote-ref-11)
11. Detailed descriptions of each area of engineering are published on the CAV website. [↑](#footnote-ref-12)
12. Section 4(1)(f) of the Professional Engineers Registration Act. [↑](#footnote-ref-13)
13. Section 6 of the Professional Engineers Registration Act. [↑](#footnote-ref-14)
14. Section 8 of the Professional Engineers Registration Act. [↑](#footnote-ref-15)
15. Section 12 of the Professional Engineers Registration Act. [↑](#footnote-ref-16)
16. A represented person under the *Guardianship and Administration Act 1986* is defined as any person in respect of whom a guardianship order is in effect; an administration order is in effect; or both a guardianship order and an administration order are in effect; or any person whose estate is subject to an administration order or temporary administration order under that Act. [↑](#footnote-ref-17)
17. A person has a disqualifying criminal offence under the Professional Engineers Registration Act if they have been convicted or found guilty of an indictable offence within the proceeding 10 years. [↑](#footnote-ref-18)
18. Section 20(3) of the Professional Engineers Registration Act provides for the qualification prescribed for registration under section 12(2)(a) to be the prescribed qualification for renewal of a registration. By an administrative arrangement, an applicant’s qualifications and experience with not be reassessed at renewal unless an issue arises with an application that triggers reassessment. [↑](#footnote-ref-19)
19. Section 10 of the Professional Engineers Registration Act. [↑](#footnote-ref-20)
20. Sections 171D and 171E of the Building Act. [↑](#footnote-ref-21)
21. An individual has a disqualifying criminal offence under the Building Act if within the last 10 years, they have been convicted or found guilty (whether or not a conviction was recorded) of an offence involving fraud, dishonesty, drug trafficking or violence, which is punishable by imprisonment of six months or more (whether or not a sentence of imprisonment was imposed). [↑](#footnote-ref-22)
22. Under section 107 of the Professional Engineers Registration Act, a building practitioner registered in the category of engineer under the Building Act on 30 June 2021 will be deemed to be registered under the Professional Engineers Registration Act until the registration under the Building Act would have expired. [↑](#footnote-ref-23)
23. Section 10(1)(c) of the Subordinate Legislation Act. [↑](#footnote-ref-24)
24. Better Regulation Victoria, 2016. [↑](#footnote-ref-25)
25. Department of Treasury and Finance, 2013. [↑](#footnote-ref-26)
26. ABS, September 2020. Building and Construction [Engineering Construction Activity, Australia](https://www.abs.gov.au/statistics/industry/building-and-construction/engineering-construction-activity-australia), Table 18, Value of Work Done by Sector, Victorian, Original. [↑](#footnote-ref-27)
27. The Victorian Building Authority Fund is established under section 205 of the Building Act. Payments int this Fund include the building permit levies (section 205A) and, among other purposes, it funds the VBA to carry out its functions (section 205B). [↑](#footnote-ref-28)
28. The Building System Review is being led by an Expert Advisory Panel appointed by the Minister for Planning and chaired by Anna Cronin, Commissioner for Better Regulation. More information is available at <https://www.vic.gov.au/building-system-review>. [↑](#footnote-ref-29)
29. This includes estate agents, motor car traders, incorporated associations, co-operatives, fundraisers, second-hand dealers and pawnbrokers, patriotic funds, limited partnerships, conveyancers, owners corporations managers, retirement villages, funeral service providers, sex work service providers, sex work brothel managers and rooming house operators. [↑](#footnote-ref-30)
30. CAV has contracts with Equifax to conduct credit checks and the Australian Criminal Intelligence Commission to conduct criminal records checks. [↑](#footnote-ref-31)
31. The BLA and CAV currently administer fourteen occupational licensing and registration schemes for, amongst other sectors, conveyancers, estate agents, motor car traders, owners corporation managers, rooming house operators, second-hand dealers and pawnbrokers, sex work service providers, incorporated associations and fundraisers. Each of these schemes has its own enabling Act and regulations. The schemes involving the BLA require the BLA to assess the suitability of individuals and organisations to hold and continue to hold their licences or registrations. [↑](#footnote-ref-32)
32. The value of a fee unit for the 2020-21 financial year is $14.81. See https://www.dtf.vic.gov.au/financial-management-government/indexation-fees-and-penalties. [↑](#footnote-ref-33)
33. Salary data based on Department of Justice and Community Safety analysis of Engineers Australia, The Engineering Profession; February 2017, A Statistical Overview, Thirteenth Edition, pages. 82-83. [↑](#footnote-ref-34)
34. IBISWorld, November 2020, Australian Industry (ANZSIC) Report M6923, Engineering Consulting in Australia. Profit for Victorian engineering consultancies for 2020-21 is estimated to be $736 million (based on 23% (Victoria’s contribution to GPD for Australia) of Australian profit of $3.2 billion). Therefore, the cost of administering registration for engineers in Victoria is estimated be 0.82 per cent of the profits of Victorian engineering consultancies ($6.05 million as a percentage of Victorian profit of $736 million). [↑](#footnote-ref-35)
35. Board of Professional Engineers of Queensland, Annual Report 2019-20, accessed online at https://www.bpeq.qld.gov.au/wp-content/uploads/2020/10/200911-BPEQ-Annual-Report-2019-20.pdf [↑](#footnote-ref-36)
36. Minister for Consumer Affairs, Gaming and Liquor Regulation, 18 August 2020, “Engineers have their say on Registration Scheme Implementation”, https://www.premier.vic.gov.au/engineers-have-their-say-registration-scheme-implementation. [↑](#footnote-ref-37)
37. See https://pmc.gov.au/domestic-policy/deregulation-taskforce/occupational-mobility. [↑](#footnote-ref-38)
38. ABS, September 2020, Labour Force, Australia, Detailed. [↑](#footnote-ref-39)
39. ABS, September 2020, Labour Force, Australia, Detailed. [↑](#footnote-ref-40)
40. Department of Treasury and Finance, Macroeconomic data 2020-21 Budget, accessed online at <https://www.vic.gov.au/sites/default/files/2019-10/Victorian-Guide-to-Regulation.pdf>. [↑](#footnote-ref-41)
41. Engineers Australia, February 2017, The Engineering Profession; A Statistical Overview, Thirteenth Edition, pages. 82-83. [↑](#footnote-ref-42)