

Regulatory Impact Statement

Liquor Control Reform Regulations 2023

Department of Justice and Community Safety



Justice
and Community
Safety

Preamble

Prepared by the Department of Justice and Community Safety.

This Regulatory Impact Statement (RIS) has been prepared to fulfil the requirements of the *Subordinate Legislation Act 1994* and to facilitate public consultation on the remaking of the Liquor Control Reform Regulations 2023.

In accordance with the Victorian Guide to Regulation, the Victorian Government seeks to ensure that Proposed Regulations are well-targeted, effective and appropriate, and impose the lowest possible burden on Victorian businesses, individuals and the community.

A key function of the RIS process is to provide members of the public with the opportunity to comment on proposed statutory rules before they are finalised. Such public input can provide valuable information and perspectives, and thus improve the overall quality of the regulations. A copy of the Proposed Regulations accompanies this RIS.

Public comments and submissions are invited on the Proposed Regulations and in response to information provided in this RIS. All submissions will be treated as public documents.

Written comments and submissions should be received by the Department of Justice and Community Safety no later than 5.00pm, 26 May 2023.

The Engage Victoria website is the preferred method for receiving submissions. Submissions can also be sent by email at gamingandliquor@justice.vic.gov.au.

Copies of the RIS and Proposed Regulations can be obtained from the Engage Victoria website at <https://engage.vic.gov.au/making-the-liquor-control-reform-regulations-2023>.

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Glossary of abbreviations and terms

Acronym/term	Definition
the Amendment Act	<i>Liquor Control Reform Amendment Act 2021</i>
the LCR Act	<i>Liquor Control Reform Act 1998</i>
the SL Act	<i>Subordinate Legislation Act 1994</i>
the current Regulations	Liquor Control Reform Interim Regulations 2022
the proposed Regulations	Liquor Control Reform Regulations 2023
Commission	Victorian Liquor Commission, and predecessor regulatory bodies the Victorian Gambling and Casino Control Commission and the Victorian Commission for Gambling and Liquor Regulation
DJCS	Department of Justice and Community Safety
Fee unit	The <i>Monetary Units Act 2004</i> prescribes 'fee units' in regulations so that dollar amounts do not need to be updated annually. The value of a fee unit is updated annually. For 2022-23 the value of a fee unit has been set at \$15.29.
fps	Frames per second – the rate at which a video camera captures images
LCAC	Liquor Control Advisory Council
MCA	Multi-Criteria Analysis
VCAT	Victorian Civil and Administrative Tribunal
PLL	Packaged Liquor Licence
VGCCC Act	<i>Victorian Gambling and Casino Control Commission Act 2011</i>
VGCLR	Predecessor regulatory body - Victorian Commission for Gambling and Liquor Regulation

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Executive summary

Background context

Consumption of alcohol occupies a significant place in Australian culture and is widely supported in our society as a legitimate way of socialising, celebrating and relaxing. Alcohol manufacturing, supply and service industries also contribute to employment and economic growth across Victoria.

However, misuse of alcohol leads to a range of problems including individual health issues, reduced productivity in the workforce and absenteeism, accidents, violence and other alcohol-related offences.

Regulations and legislation are the chief means of ensuring that alcohol is supplied and consumed in a manner that is responsible and appropriate to the circumstances, and that industry participants and their premises are suitable.

The current Liquor Control Reform Interim Regulations 2022 (the Current Regulations) are due to expire by 30 July 2023 and need to be remade to ensure that the regulatory framework functions properly and that liquor is consumed and supplied responsibly.

Before making new regulations (including re-making expiring regulations), the *Subordinate Legislation Act 1994* (SL Act) requires the preparation of a Regulatory Impact Statement (RIS) to assess the impacts of proposed regulations, to consider alternative options, and to assist public consultation on proposed regulations.

The RIS process involves an assessment of regulatory proposals and allows members of the community to comment on the Proposed Regulations before they are finalised. This RIS is being prepared to facilitate public consultation on the proposed Liquor Control Reform Regulations 2023 (the Proposed Regulations), which will replace the Current Regulations.

The regulations established in 2009 are now out of date. They should reflect changes in government approaches to harm and amendments that have been made in the legislation to minimise it. They should also align with government policy to reduce red tape to assist industry become a diverse, consumer responsive sector that meets community expectations.

The supply pattern of alcohol has also changed significantly with, for example, a significant growth of online ordering and private residence delivery. There has also been a growth in businesses which do not sell alcohol as a primary function but sell it as an enhancement of their operations – examples being selling at community theatres, art galleries and the ability to get some packaged liquor with take away meals from restaurants and cafes.

The other consideration is the need to support small business in a market that is dominated by larger operators. The part of the regulations that set out application and renewal fees should reflect smaller businesses' reduced access to financial capital.

The Proposed Regulations largely remake the Current Regulations, with changes to reflect the *Liquor Control Reform Amendment 2021 Act* (Amendment Act) and with additional changes that modernise current systems, promote positive behaviours and reduce alcohol-related harm.

Liquor licence fees have also been reviewed and reset to improve the recovery of government costs, and to ensure a risk-based approach to fee setting is consistently and equitably applied to both application and renewal fees.

The nature of the problem

Social and economic costs

There are many social and economic costs associated with the misuse and abuse of alcohol that result in harm¹ to individuals and communities. Manning, Smith and Mazerolle² estimated the total costs to society of alcohol-related problems in Australia in 2010 were \$14.4 billion. In current prices, this would now be around \$18 billion. If the population size (26 per cent) is used as a proxy to estimate total Victorian costs to society of alcohol-related problems, then in Victoria this amounts to around \$4.68 billion per annum.

How alcohol is regulated in the community is key in reducing alcohol-related harms, while that regulation needs to support an industry that provides recreational enjoyment and economic benefits.

The impact of having no regulations would have significant negative consequences. For example, alcohol products that are particularly attractive to minors may be made available resulting in harm to a very vulnerable cohort and the ability of a regulator to obtain information or set conditions critical to the licensing of a product that can cause harm to individuals and to the community may be limited.

Measures that seek to reduce availability and access to alcohol should have positive impacts on health systems and the broader community. A regulatory framework that provides for an integrated approach using a suite of functions (legislation, regulation, information, education, monitoring and enforcement) in combination to solve problems, and achieve its regulatory objectives and outcomes for the community should be sought.

Costs to industry and government

Regulation imposes costs on industry and government. This RIS examines options to minimise the regulatory burden on business while achieving the Victorian Government's (government) objectives.

The reference to 'industry' in this RIS is broad and refers largely to those who apply for and obtain a liquor licence. Liquor licences are required (unless an exemption is available) wherever liquor is supplied in the state. A licence can be for ongoing enterprises where the sale of liquor is central to the business model such as a hotel or packaged liquor store but can also be for businesses that supply liquor in a limited way or for a limited time. For example, a school may wish to provide alcohol to adults attending a planned fete charging by the glass to raise funds; an art gallery wants to provide alcohol to patrons attending a special exhibition. The benefits to licensees from holding a liquor licence can be considerable but they are not always. This diversity in the importance of liquor supply to a licensee is a consideration when burden is the focus.

Generally, when the costs of government services provide private benefits to industry, it is appropriate to recover those costs so that the cost burden is not imposed on taxpayers. However, cost recovery should not impose an inequitable burden on sections of the industry such as small business nor discourage the development of a diverse industry that meets community expectations and provide consumer benefits. Users should pay for differentiated service based on the value created by that differentiation.

There are currently around 23,000 liquor licences and permits held by licensees in Victoria. The cost of administering liquor licences in Victoria imposes a direct cost on government of about \$15.7 million annually. This being the direct cost of the Victorian Liquor Commission

¹ Better Regulation Victoria, May 2022, *Ten principles for good regulatory practice*: <https://www.vic.gov.au/towards-best-practice-guide-regulators>. The three strategic principles focus on minimising harm: the principles are 1. be clear on your regulatory outcome and the harms you are trying to minimise; 2. establish and refine your approach to minimising harms; 3. ensure your regulatory regime is fit for purpose.

² Matthew Manning, Christine Smith and Paul Mazerolle (2013) *The societal costs of alcohol misuse in Australia*; Trends & issues in crime and criminal justice No. 454 April 2013, Australian Institute of Criminology, Commonwealth of Australia

(Commission) in the assessment and processing of applications; and the general regulation and monitoring of liquor licences.

The total cost of regulation is estimated to be closer to \$37 million if Victoria Police costs related to liquor are included. Victoria Police activities directly related to liquor regulation, compliance and enforcement are undertaken as part of general policing funded through several revenue sources. To link all such activities to liquor fees would not be reflective of a pure cost estimate for cost recovery. However, these dedicated functions and units directly contribute to reducing alcohol related harm by means of such compliance and enforcement activities. As such, Victoria Police cost estimates are applied in the calculation of total costs incurred in administering liquor licences in Victoria.

The Proposed Regulations seek to recover regulatory costs, while encouraging compliance and providing incentives for licensees to minimise harms; and recognise higher risk licences and venue characteristics as factors in application and renewal fee models that are key drivers to regulatory activity undertaken by government for the industry.

The Proposed Regulations provide a fee regime that also considers an ability to pay and the need to encourage development of a diverse industry in a way that minimises harm. It is this balance between cost recovery, harm and other factors that are the essential considerations of this RIS.

Table ES:1 summarises the costs for liquor licence applications, renewals and for other costs directly prescribed in the *Liquor Control Reform Act 1998* (LCR Act).³

Table ES1: Estimated regulatory costs for administering liquor licences in Victoria

Agency	Applications (processing and administration)	Renewals (compliance and enforcement)	LRC Act (prescribed fees)	Total
Victoria Liquor Commission*	\$4,731,000	\$10,500,000	\$500,000**	\$15,731,000
Victoria Police		\$21,204,225		\$21,204,225
Estimated costs – total	\$4,731,000	\$31,704,225	\$500,000	\$36,935,225
Estimated costs – Percentage	13%	86%	1%	100%

Notes: * The responsibilities for liquor regulation were transferred to the Victorian Liquor Commission, supported by the Liquor Control Victoria business unit, on 1 July 2022. ** Liquor licence fees for premises that provide sexually explicit entertainment are set in the LCR Act. These costs are provided for completeness of information only.

Objectives of the proposed amendments

Having regard to the objectives in the LCR Act, the government's objectives in making these Regulations is to:

- minimise harm from alcohol, including ensuring as far as practicable that the supply of liquor contributes to, and does not detract from, the amenity of community life
- facilitate the development of a diversity of licensed facilities reflecting community expectations and contribute to the responsible development of the liquor, licensed hospitality and live music industries
- minimise the administrative cost burden of the regulations to industry, community and government.

With respect to fees, it is considered that fees should be set so that they balance the generally accepted fee design principles of:

- efficiency – fees should recover government costs and avoid taxpayer subsidies for services for which individuals or businesses benefit
- equity – similar businesses should be treated in a similar manner while recognising ability to pay varies across different business types

³ Liquor licence fees for premises that provide sexually explicit entertainment are set in the LCR Act. Recovery of costs these prescribed fees are not considered further in the analysis. These costs are provided for completeness of information only.

- effectiveness – fees promote the government’s harm minimisation objectives, and
- simplicity – easy to understand and comply with.⁴

Options for consideration

Following a review of the Liquor Control Reform Regulations in operation since 2009, and following stakeholder feedback, the Liquor Control Reform Regulations 2023 (the Proposed Regulations) have assessed options in accordance with the government’s *Pricing for Value: A guide for government services - Pricing principles*⁵ (Pricing for Value Guide).

This assessment has been against the overarching government policy objectives of minimising harms caused by alcohol while encouraging vibrant live music, retail, hospitality, entertainment, and tourism sectors.

The SL Act requires a RIS to consider other practicable means of achieving the objectives, including ‘non-regulatory’ options. In some cases, there are no other practicable means of achieving the policy objectives.

Non-regulatory options such as educational campaigns, industry-self regulation, and codes of conduct as stand-alone alternatives are not considered to be effective in achieving the government’s harm minimisation objectives. That said, these regulatory tools do play an important part in the regulatory ‘tool kit’ for the government’s and industry’s harm minimisation objectives by complementing the existing legislative and regulatory frameworks.

The Regulations have been grouped into four parts for the purpose of this RIS:

1. Liquor licence applications
2. Liquor licence renewals
3. Security camera standards
4. Minor amendments.

Options have been analysed for the first three parts because of their impact on industry.

Financial costs - Application fees for liquor licences, BYO permits and licence variations

Two options are considered in relation to liquor licence application fees:

- **Option A1 - Risk based application fee model:** Update the liquor licence application process and fees to reflect processing effort and principles of equity and risk of harm by the inclusion of risk-based factors for the calculating of application fees. By better aligning fees with risk and processing effort, certain licence applications will become more expensive, while other licence types that are associated with lower levels of risk will see moderate changes or even decreases in the fee charged for new applications.
- **Option A2 - Process cost application fee model:** Update the liquor licence application process and fees to reflect processing effort (including increasing the number of application groups from six (reference case) to 12 to better differentiate processing effort). Processing effort will be greater than the reference case because of the increase in categories. Cost recovery is assumed to be in line with Option A1 (for more detail see [Attachment D14](#)).

Both options reflect changes made to the LCR Act by the Amendment Act. These options are analysed in more detail in [section 4.4](#) (applications fees).

⁴ Better Regulation Victoria, Guidance Note – Fee RISs, October 2021

⁵ Victorian Government, Department of Treasury and Finance, Pricing for value - A guide for government services Pricing principles, July 2021

The changes to application groups in Option A1 are as follows:

- Risk according to size is a consideration at application (patron numbers or floorspace – whichever is appropriate - and late-night hours). In addition, to align with changes in the Amendment Act, a new licence application type is proposed for high-risk packaged-liquor⁶ applications (a packaged liquor outlet with a floor space greater than 750 square metres (sqm). The Amendment Act requires that ‘high-risk applications’ undergo a more comprehensive licence application process.
- A new application fee (and renewal fee) will also be introduced for the new licence category of remote seller’s packaged liquor licence (remote seller’s PLL).
- It is proposed that the current distinction between a full club licence with gaming machines or a full club without gaming machines be removed, and new application fees to vary a licence for endorsement, sub-letting, control or supply of liquor be introduced.
- Applications for temporary limited licences to be made free for organisations that are registered charities.

Risk is a fundamental consideration at both the application and renewal stages of licensing. This reflects the primary object of the LCR Act of harm minimisation.

Under Option A1, application fees for some lower risk licence types will decrease, while applications for higher risk venues will increase. Linking fees to relative risk will enable greater price signalling towards lower risk operations, while not significantly increasing the burden on industry. Option A1 further supports the pricing principle that users should pay for differentiated service based on the value created by that differentiation.

Financial costs – Fees model for renewal of liquor licences

A new risk-based formula is proposed for calculating liquor licence renewal fees for individual licensees. Stakeholder consultation feedback supports the use of risk-based components to set fees; however, there is a general view that the components in the current risk-based formula could be improved.

Two options are considered in relation to liquor licence renewal fees:

- **Option B1- Streamlined risk-based renewal fee model:** Remake the Regulations, implementing a simplified renewal fees formula to better reflect the level of risk for each licence category and to reduce red tape. Similar to option A1, renewal fees will be set according to relative level of risk associated with different licence types. A base fee and risk factors of late opening hours and poor compliance history, venue capacity and floor space apply. The venue capacity risk factor is applied as an addition, not a multiplier.
- **Option B2 – Expanded risk-based renewal fee model:** Remake the Regulations, implementing a comprehensive update of the current fee structure and broadening the number of all risk factors to seven (compared to four as per Option B1), and a reduction in fees for licensees in regional areas.
- The three extra risk factors include: number of venues owned; location and online sales.

These options are also analysed in more detail in [Chapter 4](#) (liquor licence applications and renewals fees).

⁶ Packaged liquor is liquor sold in sealed containers to be consumed away from the premises of sale (e.g., liquor sold in a bottle shop).

Security camera standards

In addition to applying for a licence and renewing it, certain premises are required to install security camera systems as a condition of their licence.

The options considered in this RIS for security camera standards are related to prescribing the minimum standards (e.g., frames per second captured by a camera and standards for the quality of stored images). The LCR Act gives the Commission the power to add conditions to licences to assist meeting harm reduction measures such as installing security cameras. These conditions are currently most often found on late-night trading venues such as nightclubs, bars, and hotels.

Two options are considered in relation to security camera standards:

- **Option C1: 8 frames per second and digital recording and storage.**
- **Option C2: 8 frames per second, digital recording and prescribing security camera locations,** which will require many venues to install additional cameras.

These design options are considered and assessed in [Chapter 5](#).

Minor amendments - Options

There are amendments contained in the Proposed Regulations that do not impose significant costs to industry or community. These enable other areas of the LCR Act or regulations to function efficiently. Alternative options are not considered for these amendments, but consideration has been given to 'designing' these proposals in the most efficient and effective way. Stakeholders are asked to comment and provide feedback on these proposals or to suggest options to improve the regulations (see [Chapter 6](#)).

Costs and Benefits of Options

The SL Act requires that a RIS examines the costs and benefits of alternative options. The Victorian *Guide to Regulation* provides further guidance on the assessment of options. Where costs or benefits are difficult to quantify, the Multi-Criteria Analysis (MCA) tool may be used.

Remaking regulations that set fees are also subject to the government's Pricing for Value Guide⁷, which sets out Pricing Principles and requires departments to undertake pricing reviews to articulate an appropriate pricing strategy and identify fee options that align that strategy to government policy.

Multi-criteria analysis

MCA is used in this RIS as an assessment tool to complement the fee costing analysis. Details of the costs and benefits that are estimated in monetary terms are in section 4.4.5 and section 4.5.6. This approach is useful where it is not possible to quantify and assign monetary values to all the impacts of a proposed measure (e.g., avoided harms associated with alcohol). Furthermore, it represents a convenient way of comparing a range of alternative approaches.

This technique requires judgements about how proposals will contribute to a series of criteria that are chosen to reflect the benefits and costs associated with the proposals. For this RIS, criteria selected reflect the government's objectives and weighting priorities in the context of reducing alcohol harms, while facilitating the responsible development of industry within community expectations. Table ES2 provides a summary description of the MCA criteria applied in this RIS (for a more detailed explanation of the MCA approach see [section 3.1.3.](#))

⁷ Victorian Government, Department of Treasury and Finance, Pricing for value - A guide for government services Pricing principles, July 2021

MCA has been used to analyse options for the three key parts of the Regulations (licence applications, licence renewals and security camera standards). For each part of the Regulations, impacts of options have been compared against a 'reference case' of the Current Regulations. The MCA methodology used in the RIS is discussed in more detail in [Chapter 3](#).

Table ES2: Summary description of the MCA criteria applied in the consideration of options

Criterion	Description	Weight (per cent %)
Harm minimisation	The extent to which options minimise harm, inclusive of the concept of encouraging positive behaviours to reduce levels of risk.	50%
Responsible development and facilitation of a diverse industry.	The extent to which the option contributes to the development of the industry, provided this development is responsible and does not significantly increase the risk of harm.	20%
Industry - minimise regulatory burden	Administrative and compliance costs borne by regulated entities (licensees) and applicants associated with complying with the option. Costs include fees paid by licensees.	20%
Government - administrative burden	The burden on the government in the form of costs associated with changes to regulation and related processes.	10%
Total		100%

Pricing for Value Guide

To inform the development of the Proposed Regulations, the Department of Justice and Community Safety (DJCS) undertook a pricing review as required by the Pricing for Value Guide.

The liquor licence application fees and renewal fees were assessed against the Pricing for Value Guide, in particular against the Pricing Playbook. As part of the review of fees, DJCS determined the relevant Pricing Principles for assessing fee options which are:

1	Agencies should aim to recover the full costs of service provision to promote efficient consumption
2	The cost of service provision should be borne by those who benefit from the service
6	Users should pay for differentiated service based on the value created by that differentiation
7	The public should share in the value generated by pricing based on user differentiation
8	Pricing should support positive behaviours
11	Pricing structures should be easy to understand and simple to administer

A detailed assessment of the cost to the government of regulating the licensing system was undertaken. As presented at Table ES1 above, this cost was calculated to be \$37 million.

Liquor licence fees – applications for liquor licences, BYO permits and licence variations

A MCA assessment was undertaken to assess liquor licence application fees (see Table ES3 below). Option A1 is assessed to be superior to Option A2.

Option A1 (diagram E2 below) will minimise harm more than the Current Regulations because adopting a risk-based model will help the regulator focus on risky categories and apply tailored requirements. As risk factors such as patron capacity and size are now incorporated into the application fee model, these will in effect increase the number of licence categories and greater differentiate fees based on risk. Together the additional categories and the risk factors will also encourage responsible development.

Option A1 will reduce harm more than Option A2 and with a slightly lower regulatory burden relative to the reference case.

Table ES3: MCA assessment of liquor licence application fees

Option A1 – Risk-based application fee model			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+6.0	+3.00
Responsible development and facilitation of a diverse industry	20%	+4.0	+0.80
Industry – minimise regulatory burden	20%	-3.0	-0.60
Government – administrative burden	10%	-2.5	-0.25
Total	100%		+2.95
Option A2 – Process cost application fee model			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+4.0	+2.00
Responsible development and facilitation of a diverse industry	20%	+3.0	+0.60
Industry – minimise regulatory burden	20%	-3.5	-0.70
Government – administrative burden	10%	-0.5	-0.05
Total	100%		+1.85

Diagram ES2: Fees model for liquor licence applications under preferred option A1



Linking application fees to relative risk enables greater price signalling towards lower risk operations in line with the Pricing for Value Guide principle that *users should pay for differentiated service based on the value created by that differentiation*.

In addition, the introduction of hours and size as factors that drive risk and therefore the level of regulatory effort at the application stage will result in a more balanced approach to related fees. This represents a more targeted approach to applications required to obtain or vary a licence. The more refined groupings and risk factors differentiation will result in a better matching of differentiated fees to the Pricing Principles.

Table ES6 (page xxii) shows the proposed prescribed fees units and fee amounts for application fees applicable for the recovery of about 85 per cent of estimated application costs.

Liquor licence fees – liquor licence renewals

A MCA assessment was undertaken to assess the fee design elements of renewal fees. The fee amounts assigned to risk components in the revised fee formula are based on relative risk.

The formula for calculating renewal fees under Option B1 better reflects risk, encouraging licensees to minimise harm, and is also simpler, reducing costs to industry. Option B1 is assessed to be superior to Option B2.

Option B2 would likely reduce risk only slightly more but is more costly for industry and less supportive of industry development than Option B1.

Table ES4: MCA assessment of liquor licence renewal fees

Option B1: Streamlined risk-based renewal fees model			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+5.0	+2.50
Responsible development and facilitation of a diverse industry	20%	+3.0	+0.60
Industry – minimise regulatory burden	20%	-2.0	-0.40
Government – administrative burden	10%	-0.5	-0.05
Total	100%		+ 2.65
Option B2: Expanded risk-based renewal fee model			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+5.5	+2.75
Responsible development and facilitation of a diverse industry	20%	+1.5	+0.30
Industry – minimise regulatory burden	20%	-3.0	-0.60
Government – administrative burden	10%	-1.0	-0.10
Total	100%		+2.35

Fees model for renewal of liquor licences

Option B1 is preferred (diagram ES3 below). This structure better reflects the level of risk for each licence category (compared with the reference case), and significantly simplifies the structure while reducing red tape.

Option B1 remakes the Regulations to reflect the Amendment Act with additional changes that promote positive behaviours and reduce alcohol-related harm. It represents a moderate change to the current arrangements. Option B1 further supports the pricing principle that users should pay for differentiated service based on the value created by that differentiation.

Diagram ES3: Fees model for renewal of liquor licences under preferred option B1



Proposed renewal fees would be calculated with a new formula set to recover costs where relevant and provide for ongoing higher risk profiles that difference licences present.

Table ES7 (on page xxiii) shows the proposed renewal fees under the preferred model for the recovery of 84 per cent of total estimated costs for regulation, compliance and enforcement of the liquor industry.

Security camera standards

Since the Current Regulations were introduced, there has been a rapid development in security camera technology. The prescribed standards for security camera systems were assessed to reflect these developments.

The Regulations themselves prescribe the standard minimum frame rate (frames per second) for security cameras and standards for the quality of stored images.

The MCA assessment assessed Option C1 as superior to Option C2. Option C1 is a modest increase in the requirements but will ensure that out-of-date cameras are replaced with cameras that operate at an appropriate standard, leading to a moderate reduction in harm. Option C2 would likely have some additional reduction in harm but be significantly more costly for industry.

Option C1 is the preferred option. The standards for security camera systems will be modernised, requiring images to be recorded and stored digitally at a minimum of 8 frames per second (currently 5 fps). Still images exported from the recorder must be of a quality to enable identification of a person.

Table ES5: MCA assessment of security camera system specifications

Option C1: 8 frames per second camera, digital recording and storage			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+2.5	+1.25
Responsible development and facilitation of a diverse industry	20%	+2.0	+0.40
Industry – minimise regulatory burden	20%	-1.0	- 0.20
Government – administrative burden	10%	-1.0	- 0.10
Total	100%		+ 1.35
Option C2: 8 frames per second camera, digital recording and storage, and prescribed security camera locations			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+5.0	+2.50
Responsible development and facilitation of a diverse industry	20%	-3.0	-0.60
Industry – minimise regulatory burden	20%	-6.0	-1.20
Government – administrative burden	10%	-1.0	-0.10
Total	100%		+0.40

Minor amendments

While formal cost-benefit analysis was not undertaken with respect to other technical amendments contained in the Proposed Regulations, each element of the Regulations was examined to streamline or simplify them, within the context of achieving the government’s overarching objectives.

Small Business Impacts and Competition Assessment

Small business impacts

All new regulatory proposals that have significant impacts on business must be thoroughly assessed to ensure the benefits to the community outweigh the costs and that the best options are considered. Compliance burdens often fall disproportionately on the small business sector. The main areas of regulatory burden in the Proposed Regulations include the licence fees, security camera requirements, and the licence application process itself.

It is considered that the fee levels proposed do not disproportionately impact small businesses. Larger businesses have a greater ability to pay when compared to smaller businesses and the cost of a liquor licence for a small business needs to be considered as it has a smaller relative contribution to the risk of harm in the community compared with larger businesses. Different proposed fees for applications and licence renewals recognises both factors – ability to pay and risk of harm profile.

Licensees with a condition on their licences to install a security camera system are regarded as higher-risk liquor licence categories, and these tend to be larger businesses. An assessment of the types of licences with security camera systems suggests that this proposal does not disproportionately fall on small business.

The licence application process (for new licences, variations to, or relocations of, current licences) imposes administrative costs on businesses. In terms of regulatory burden, the proposed licence application process is greater for large businesses compared to smaller businesses and for those trading later than ordinary hours than others. Large business operations more often relate to trade with higher volumes, patron capacity and/or number

of supply activities. Such applications require more detailed information for assessment and are more likely to be subject to objections.

For liquor licence renewals, the proposed base fees for renewals will be comparable to current fees (reference case) as determined by the licence type for renewal. Additional fees will be applicable for certain licence types such as large packaged liquor licences - including large remote seller packaged liquor licences which have a large storage capacity (which do not have a retail outlet), late-night trading operations, or high patron capacity venues.

These additional fees account for the higher processing costs, increased compliance costs of enforcing licence stipulations, and heightened community risk associated with these licence types over the life of a licence. Generally, high risk/high complexity operations, such as large packaged liquor outlets, do not tend to be small businesses. Therefore, the new requirements are not considered to disproportionately affect applicants that are classified as small businesses.

Competition Assessment

Any regulatory proposal needs to be scrutinised carefully to assess whether it may have an adverse impact on the ability of firms or individuals to enter and participate in the market. As a matter of good public policy, any new regulations should not restrict competition unless it can be demonstrated that the benefits of the restriction, as a whole, outweigh the costs, and the objectives of the regulation can only be achieved by restricting competition.

The Proposed Regulations give effect to a licensing regime that imposes greater regulatory requirements on higher risk businesses, which tend to be larger and more likely to cause more harm in the community. At the same time the proposed Regulations generally have lower fees for smaller businesses, which limits barriers to smaller businesses entering the market (applications) and recognises that they generally contribute less to harm over time (renewals).

The benefits of a licensing regime that manages harms associated with alcohol are considered to outweigh costs imposed on the market as a result of any restrictions caused by licensing and these benefits are achieved while accommodating the need for small businesses.

The Proposed Regulations relating to security cameras prescribe minimal technical standards and mandate digital recording. Therefore, there is a (small) restriction on the type of product that can be used, but any costs of this restriction are outweighed by the benefits associated with better identification of persons involved in incidents on licensed premises.

Consultation with industry and the Commission suggests that security camera systems using analogue recording systems are unlikely to still be in use – practically all security camera systems now record in a digital format. With the rapid level of development in security camera technology, digital security cameras on the market record at a rate of more than 8 frames per second and the vast majority of licensees requiring security cameras would likely already meet the proposed standards.

Fees set aim to meet the overarching intent of the Pricing Principles and the interests of equity and efficiency; recognising that some fees set are below full cost recovery and others are in line with full cost recovery.

Implementation

The Current Regulations are due to expire by 30 July 2023 and new regulations need to be in place by that date. The new regulations are required to ensure that the regulatory framework functions properly and that liquor is consumed and supplied responsibly.

An Implementation Plan has been developed by DJCS in consultation with the Commission to meet that deadline. Most of the elements of the Proposed Regulations have already been implemented since they currently operate in the Current Regulations. The Commission will

use its normal channels of communication (e.g., web content updates, liquor forums, and published newsletters and guidance materials) to inform stakeholders and other affected parties of the changes including changes to the renewal model which are modest, but which affect all current permanent licensees.

Provisions, such as the new remote seller's PLL category, are planned to be implemented when the Proposed Regulations come into effect.

The Implementation Plan will outline what needs to be done, who will be doing it, when it will be done, and who will monitor implementation. The Implementation Plan will communicate the key changes to stakeholders and will monitor implementation risks.

[Chapter 8](#) explains and outlines the Implementation Plan.

Evaluation

Consistent with the government's commitment to better regulation and a culture of continuous improvement, departments must evaluate all regulations. While all regulations are reviewed every 10 years due to automatic sunseting, for high impact regulation (where the impacts are greater than \$8 million per annum), a mid-term evaluation needs to be taken within three to five years after implementation.

This is to ensure that regulations are achieving their intended outcomes, no unintended consequences are observed, and opportunities for adjustment can be considered. More generally, the regulations will be subject to ongoing monitoring and feedback from key stakeholders and the Commission.

The Proposed Regulations will be formally evaluated mid-term (between years four and five) and within 12 to 18 months before automatic sunseting of the regulations. The evaluations will review the prescribed processes and requirements of the regulations in helping to meet the overall objectives of the LCR Act.

As part the evaluation process, it will be important to examine data including, but not limited to:

- changing approaches or innovations adopted in other jurisdictions
- liquor licence application and renewals data, which will be used to analyse trends in the modes of supply and of alcohol
- compliance data for assessment of risk-based fee models and other licence conditions in promoting positive behaviours and minimising alcohol related harm
- the cost base for the regulatory activities which relate to prescribed fees
- outcome data from mechanisms obtaining stakeholder feedback.

Further details of the Evaluation Strategy are outlined in [Chapter 9](#).

Consultation

Extensive consultation has been undertaken to inform the analysis in the RIS, as well as to test proposals with stakeholders.

In September 2018, the then Minister for Consumer Affairs, Gaming and Liquor Regulation (the Minister) approved consultation on the remaking of the regulations. To commence the review, a request for public submissions on the effectiveness of the operation of the Current Regulations was published on the Engage Victoria website. Themes drawn from the consultation centred on two principal considerations: how harms may be addressed and how fees may be used as a mechanism to reduce harms.

In June 2020, a survey seeking feedback on the effectiveness of various components of the fees model for the renewal of liquor licences was sent to key stakeholders. All stakeholders agree that a risk-based fee structure represented good policy. However, stakeholders, including from within industry, government agencies and public health bodies, raised concerns that the current risk-based fee structure was not operating effectively.

In general, industry commented that the risk factors are inequitable across licence types and do not consider individual situations, such as harm minimisation activities conducted on the premises. Other stakeholders, such as community and public health bodies, broadly support the current risk factors but believe the fee components should contain a broader range of risk factors to reduce harms.

The Liquor Control Advisory Council, which consists of members appointed by the Minister from industry, academia, community and advocacy groups, has also been consulted. Victoria Police was consulted to obtain cost data and the Commission was extensively consulted with to obtain licensing and compliance data.

This RIS represents another step in the consultation process, and all stakeholders and members of the public are encouraged to provide feedback on the Proposed Regulations.

Stakeholder questions

An important function of the RIS process is to seek stakeholder feedback on proposals in the new Regulations. While in no way limiting any matters or comments that stakeholders may wish to raise, DJCS would be interested to receive inputs on the questions raised below.

1. Do you consider the proposed groupings and risk factors for the liquor licence application fees appropriate? If not, how could they be improved?
2. Do you consider the proposed revised risk factors for the liquor licence renewal fees appropriate? If not, how could they be improved?
3. If you are required to operate a security camera system, does your system current capture 8 frames per second (fps)?
4. Do you consider a minimum prescribed standard of 8 fps appropriate given current technology levels? Please explain.
5. The Proposed Regulations contain several minor amendments. Are these appropriate? Should alternative amendments be considered?
6. Are there any proposals in the proposed Regulations that could result in unintended consequences? If so, please explain the consequences as you understand them.
7. Do you have any suggestions concerning the Proposed Regulations to reduce the regulatory burden (or remove 'red tape')? If you do, what are they?

Table ES6: Liquor licence application prescribed fee units and application fees under preferred option A1

Application grouping	Risk level	Application Type	Option A1 - Prescribed fee unit	Option A1 - Proposed fee amounts	Reference case - current fees	% Difference
Application to vary a licence	n/a	Producer promotion	10.00	\$152.90	\$118.30	29.2%
	n/a	Variation to licence	15.00	\$229.35	\$223.50	2.6%
Application for a limited licence or major event licence	n/a	Major event - multiple applicants	30.00	\$458.70	\$152.70	200.4%
	n/a	Major event - single applicant	200.00	\$3,058.00	\$1,018.30	200.3%
	n/a	Renewable limited licence	44.00	\$672.76	\$496.00	35.6%
	n/a	Temporary limited licence - existing licensee	15.00	\$229.35	\$118.30	93.9%
	n/a	Temporary limited licence - non-licensee	6.00	\$91.74	\$63.90	43.6%
	n/a	TLL charitable - non-licensee (reg. charities)	0.00	\$0.00	n/a	n/a
Application for a new licence or BYO permit	Low	Pre -retail	20.00	\$305.80	\$496.00	-38.3%
	Low	Restricted club	15.00	\$229.35	\$496.00	-53.8%
	Middle	BYO permit	20.00	\$305.80	\$266.50	14.7%
	Middle	Full club large	50.00	\$764.50	\$496.00	54.1%
	Middle	Full Club medium	40.61	\$620.88	\$496.00	25.2%
	Middle	Full Club small	30.00	\$458.70	\$496.00	-7.5%
	Middle	Producer's large	30.00	\$458.70	\$496.00	-7.5%
	Middle	Producer's small	19.87	\$303.80	\$496.00	-38.8%
	Middle	Remote Seller's Large	75.00	\$1,146.75	\$496.00	131.2%
	Middle	Remote seller's small	40.00	\$611.60	\$496.00	23.3%
	Middle	Restaurant and café - large	60.00	\$917.40	\$496.00	85.0%
	Middle	Restaurant and Café - medium	44.00	\$672.76	\$496.00	35.6%
	Middle	Restaurant and café - small	30.00	\$458.70	\$496.00	-7.5%
	High	General Large	75.00	\$1,146.75	\$496.00	131.2%
	High	General Medium	44.00	\$672.76	\$496.00	35.6%
	High	General Small	40.00	\$611.60	\$496.00	23.3%
	High	LN General large	135.00	\$2,064.15	\$496.00	316.2%
	High	LN General medium	82.50	\$1,261.43	\$496.00	154.3%
	High	LN General small	75.00	\$1,146.75	\$496.00	131.2%
	High	On-premises large	49.98	\$764.16	\$496.00	54.1%
	High	On-premises medium	45.81	\$700.48	\$496.00	41.2%
	High	On-premises small	40.00	\$611.60	\$496.00	23.3%
	High	LN On-premises large	135.00	\$2,064.15	\$496.00	316.2%
	High	LN On-premises medium	82.50	\$1,261.43	\$496.00	154.3%
	High	LN On-premises small	75.00	\$1,146.75	\$496.00	131.2%
	Very high	Packaged LL small	100.00	\$1,529.00	\$496.00	208.3%
	Very high	Packaged LL large	165.00	\$2,522.85	\$496.00	408.6%
	Very high	LN Packaged LL small	330.00	\$5,045.70	\$496.00	917.3%
Very high	LN Packaged LL large	660.00	\$10,091.40	\$496.00	1934.6%	

*The fee unit is indexed by the Department of Treasury and Finance on an annual basis, which will result in slightly higher fees in subsequent years beyond Year 1.

Table ES7: Prescribed fee units and fees for the renewal of liquor licences under preferred option B1

Base fee	Current year		Year 1*		% Difference
	Current renewal fee units	Current renewal fees \$	Proposed renewal fee units	Proposed renewal fees \$	
Pre-retail	68.01	\$1,039.88	11.34	\$173.41	-83.32%
Restricted club	16.74	\$255.95	11.34	\$173.41	-32.25%
Full club	33.47	\$511.80	22.68	\$346.82	-32.24%
BYO permit	16.74	\$255.95	22.68	\$346.82	35.50%
Limited	16.74	\$255.95	22.68	\$346.82	35.50%
Producer's	16.74	\$255.95	22.68	\$346.82	35.50%
Restaurant & café	16.74	\$255.95	22.68	\$346.82	35.50%
Packaged liquor (remote seller's)	16.74	\$255.95	22.68	\$346.82	35.50%
General	68.01	\$1,039.88	76.87	\$1,175.35	13.03%
On-premises	68.01	\$1,039.88	76.87	\$1,175.35	13.03%
Late night (general)	68.01	\$1,039.88	76.87	\$1,175.35	13.03%
Late night (on-premises)	68.01	\$1,039.88	76.87	\$1,175.35	13.03%
Packaged liquor	136.01	\$2,079.56	153.74	\$2,350.70	13.04%
Late night (packaged liquor)	136.01	\$2,079.56	153.74	\$2,350.70	13.04%

*The fee unit is indexed by the Department of Treasury and Finance on an annual basis, which will result in slightly higher fees in subsequent years beyond Year 1.

1. Introduction

1.1 Background context

Alcohol occupies a significant place in Australian culture and is widely supported in our society as a legitimate way of socialising, celebrating and relaxing.^{8,9} More than 80 per cent of the adult population drink alcohol. It is a widely accepted part of Australian culture, generating positive impacts in the form of revenue, employment and social amenity.¹⁰

Alcohol manufacturing, supply and service industries also contribute to employment and economic growth across Victoria. This major Victorian industry includes the hospitality sector (hotels, bars, clubs, restaurants and cafes), producers, distributors, and retailers including packaged liquor (bottle shops or online businesses that deliver alcohol).

Hundreds of thousands of staff work across these businesses which are a major contributor to the Victorian economy, with millions of patrons every week. In 2019, almost 818,000 jobs were associated with food and beverage services in Australia, with approximately 215,000 located in Victoria. Many more jobs are created in liquor retailing and production, as well as indirect employment associated with these activities.⁶

Whilst such activities are enjoyed by many Victorians, they also carry social, health, economic and financial risks that often disproportionately impact vulnerable people. Excessive liquor consumption is linked to major social issues, such as anti-social behaviour, adverse health outcomes and the escalation of associated family violence.¹¹

In this context, it has long been recognised that the sale and supply of alcohol should be regulated. Effective regulation includes efficient and effective licensing processes, regulation inspections and compliance activities to ensure the safety of Victorians.

Recognising this, the *Liquor Control Reform Act 1998* (LCR Act) has an explicit purpose of minimising alcohol related harm.¹² The LCR Act states that it is an object of the LCR Act that *'every power, authority, discretion, jurisdiction and duty conferred or imposed by this Act must be exercised and performed with due regard to harm minimisation and the risks associated with misuse and abuse of alcohol'*.¹³ It also has other objects:

Objectives of the LCR Act

- The primary objective of liquor regulation is to minimise harm from alcohol.
- Secondary objectives of liquor regulation are to:
 - facilitate the development of a diversity of liquor licensed facilities reflecting community expectations
 - contribute to the responsible development of the liquor, licensed hospitality and live music industries, and
 - regulate liquor licensed premises that provide sexually explicit entertainment.

⁸ Australian Bureau of Statistics, Commonwealth of Australia, National Health Survey: First Results, 2017-18

⁹ Allen Consulting report Alcohol-related harm and the operation of licensed premises (July 2009) Report to the Department of Justice

¹⁰ Victorian Auditor-General. 2012. [Effectiveness of justice strategies in preventing and reducing alcohol related harm](#). Victorian Auditor General's Office

¹¹ Morgan A & McAtamney A 2009. Key issues in alcohol-related violence. Research in practice no. 4. Canberra: Australian Institute of Criminology.

¹² Section 4 *Liquor Control Reform Act 1998*

¹³ Section 4(2) *Liquor Control Reform Act 1998*

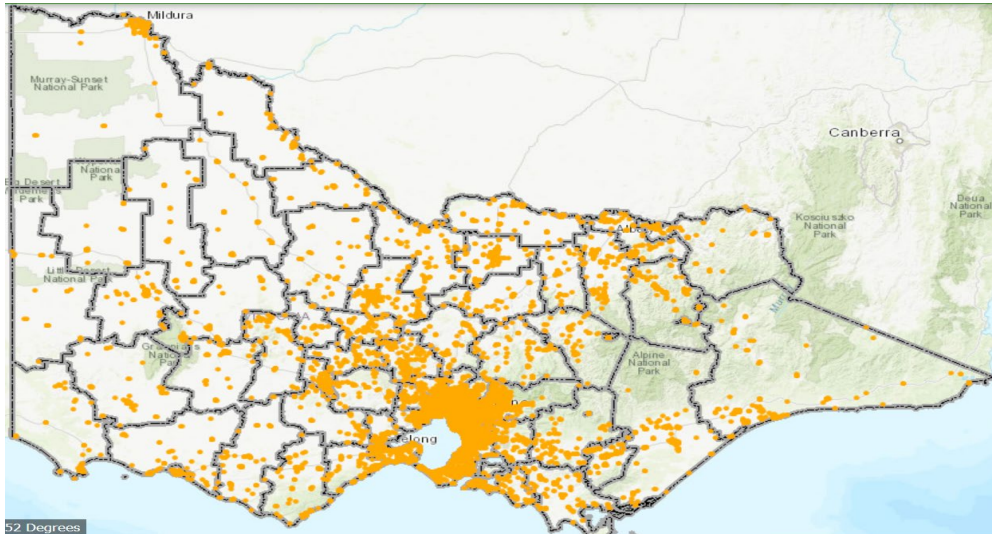
1.2 Victorian liquor industry – a snapshot

There are currently around 23,000¹⁴ liquor licences in Victoria, all of which are required to abide by liquor legislation and regulation, including:

- 1017 Producers
- 2404 Hotels
- 6672 Restaurants and cafes
- 2236 Packaged liquor
- 1503 Clubs
- 903 BYO permits

Importantly, around one third of these licences are in regional Victoria.

Figure 1: Distribution of liquor licences (Victoria)



Source: VGCCC Geomaps Liquor Licence Data. Accessed 1 December 2022.

Each year there are around 16,000 liquor licence applications (includes applications for temporary licences and for variations to existing licences). In 2019-2020, \$26.2 million was raised from liquor licence fees.¹⁵ DJCS estimates that the annual cost of regulating the liquor industry in Victoria is about \$37 million. However, this figure includes Victoria Police costs for functions and units directly involved with liquor regulation and activities undertaken through general policing in keeping the community safe. Fees from liquor licences are returned to general revenue.

Since March 2020, COVID-19 has had significant impacts on the hospitality and live music industries including licensed venues. Only packaged liquor stores and licensees who were able to sell packaged liquor retail and online were not significantly impacted.

Since the lifting of the pandemic order and restrictions, there are indications that the liquor related industry is recovering. In terms of licence numbers by category with restaurants and cafes; on-premises licences (like bars) and general licences (like hotels) there has been an increase since 31 December 2020.

In response to the COVID-19 pandemic, the government supported businesses by providing numerous programs, relief by waiving liquor licence fees, and allowing existing liquor licensees who do not normally supply packaged liquor to supply it for takeaway or delivery through temporary licences whose applications were streamlined. [Attachment A](#) provides further detail on support programs provided in response to the pandemic.

¹⁴ [Victorian Liquor Licences as at 31 December 2022](#), Victorian Liquor Commission

¹⁵ The year 2019-2020 is chosen to remove the effects of COVID-19. These numbers also do not include liquor licence to premises that provide sexually explicit entertainment (those are regulated directly under the LCR Act) and removes liquor licences no longer required under the Amendment Act.

1.3 Policy context

1.3.1 Regulatory framework – legislation and regulations

Regulation is one of the chief means of ensuring that alcohol is supplied and consumed in a manner that is responsible and appropriate to the circumstances, and that industry participants and their premises are suitable.

Liquor Control Reform Act 1998

The centrepiece of the current regulatory framework is the LCR Act. The LCR Act establishes a licence system for the sale of alcohol and puts in place a range of other restrictions on the way alcohol may be sold, supplied and consumed.

The objects of the LCR Act are the guiding underlying principles of the liquor regulatory framework. They are listed in Section 1.1. In 2021 an amendment bill was passed and given assent. It contains a number of provisions that affect the making of new regulations.

Liquor Control Reform Amendment Act 2021

The Amendment Act received royal assent on 9 November 2021 and since 31 December 2022 all amendments are now in effect. The LCR Act was amended to:

- regulate the online supply and delivery of liquor
- create a new remote seller's packaged liquor licence category for licensees supplying packaged liquor for online orders
- require applications for large packaged liquor outlets to submit a community impact assessment in a form approved by the Commission. The assessment of these applications will be more comprehensive than is currently the case. Large packaged liquor outlets, being packaged liquor outlets with a floor space greater than 750sqm, are considered to be large PLL applications
- introduce a new broad definition of harm, which specifically includes family violence to ensure broader harm is considered in licence applications
- improve the regulation of liquor advertising and promotions by strengthening the regulator's power to ban advertisements or promotions that are not in the public interest
- strengthen and clarify the operation of the liquor accord provisions in the LCR Act including the protection of personal information regarding liquor accord bans and limiting bans to a maximum of 12 months
- introduce new offences to prevent liquor ordered off premises from being left unattended or from being delivered to someone who is intoxicated.

The Amendment Act also reduced the regulatory burden for industry by:

- extending ordinary trading hours for some licences (including restaurants and cafes) to 1.00am as of right without the need to apply for a licence variation
- expanding the authority of restaurant and café licences to provide a limited volume of packaged liquor with a takeaway or delivery meal to remove the need for the licensee to hold an additional licence and allow full and restricted clubs additional supply rights for functions without requiring an additional licence
- removing duplicate rules for incorporated clubs
- introducing a new power for the Commission to conduct compulsory conferences for licensees and objectors.

The Amendment Act enables the prescription of regulations for number of matters, including prescribing different fees depending on the geographical location of the licensee, permittee or a licensed premises.

The Amendment Act also broadens appeal rights to enable licence application appeals to be heard by the Victorian Civil and Administrative Tribunal (VCAT).

Liquor Control Reform Interim Regulations 2022

The Current Regulations are made under section 180 the LCR Act. These regulations will expire on 30 July 2023.¹⁶

The Regulations prescribe processes and requirements to help meet the overall objectives of the LCR Act. These include information requirements for licence applications (or to vary current licences), the setting of liquor licence application fees and renewal fees, and the prescription of alcohol products that are banned.

The statutory objectives of the Current Regulations are:

- *to prescribe substances for the purposes of the definition of liquor in section 3 of the LCR Act*
- *to prescribe types of liquor that butchers may supply for the purposes of section 6D(1)(c) of the LCR Act*
- *to prescribe:*
 - *the particulars that are to be included in an application for the grant, variation, relocation or transfer of a licence or BYO permit*
 - *the information that is to accompany an application for the grant, variation, relocation or transfer of a licence or BYO permit*
 - *fees payable under the LCR Act*
 - *variations of licences and BYO permits that are not required to comply with the requirements set out in sections 33, 34 and 35 of the LCR Act unless required by the Commission*
 - *conditions that apply in relation to live music events that are held at licensed premises or authorised premises and which a person under the age of 18 may be present*
- *to establish minimum standards for security cameras*
- *to prescribe closure and evacuation notice requirements*
- *to prescribe barring order requirements*
- *to prescribe criteria for the purposes of section 22(2A) of the LCR Act.*

1.3.2 The Victorian Liquor Commission

The Victorian Liquor Commission (the Commission) is established to perform the regulatory, investigative and disciplinary functions conferred to it by the LCR Act and regulations.

The Commission was established on 1 July 2022. From that date, it has been responsible for the regulation of liquor. The Commission is supported in its functions by staff of the Department of Justice and Community Safety, within the business unit Liquor Control Victoria (LCV).

LCV, also established on 1 July 2022, performs several important functions, including undertaking licensing approval, authorisation, checking on licensees' compliance and registration activities and monitoring and responding to breaches of liquor regulations.

The Commission is given powers under the LCR Act to determine liquor licence applications, to add any conditions onto licences, to prosecute breaches via compliance activity of inspectors, undertake hearings on licences leading to disciplinary action and conduct internal reviews, and hold inquiries on decisions made.

¹⁶ Clause 78, Liquor Control Reform Interim Regulations 2022

Specifically, the Commission:

- undertakes licensing, approval, authorisation and registration activities
- promotes and monitors compliance with the Act and the regulations
- detects and responds to contraventions of the Act and the regulations
- advises the Minister in relation to its functions under the Act and the regulations
- advises the Minister on the operation of the Act and the regulations
- ensures that Government policy in relation to liquor is implemented
- informs and educates the public about the Commission's regulatory practices and requirements.¹⁷

In order to meet the increased activities due to population growth, as well as implement the increased expectations through amendments to the LCR Act and changes in the structure of the liquor industry, there is a need to review the Current Regulations and to broaden the revenue base from fees to better cover costs which are prescribed in the regulations.

In 2021-22, liquor regulator activity included



19,564 applications granted



944 liquor complaints investigated



5,876 (metro) and 700 (regional) liquor inspections conducted

¹⁷ Part 9A, *Liquor Control Reform Act 1998*

The nature of the problem and objectives

1.4 Problem statement

Access to alcohol in the community and how it is regulated are key drivers in reducing alcohol-related harm. A balance must be struck between addressing harm and supporting a diverse and innovative industry that sells a legal product that provides recreational enjoyment and economic benefits.

A key legislative and regulatory challenge is to balance these objectives within community expectations.

This chapter explains the general problems associated with alcohol and the need for regulation as well as the more specific problems that would occur if the regulations were allowed to expire. [Attachment B](#) includes more detailed analysis of the problems that would occur if the Regulations were allowed to expire. Further detail is also provided in section 4.4.3 for application fees; section 4.5.3 for renewal fees and section 5.2.1 for security cameras.

1.4.1 Alcohol related harm

Alcohol misuse and abuse is associated with a wide range of social harms, including a variety of chronic diseases (including liver cirrhosis and cancer), mental health and behavioural problems (including alcoholic psychosis, alcohol dependence syndrome and alcohol-related brain impairment and dementia), increased crime, injuries and deaths. Harms can also be thought of in a community setting. A degradation of amenity of a local area that is caused by alcohol-related behaviours such as violent behaviour, drunkenness, vandalism, indecent or offensive behaviour, causing disorder and a nuisance, noise, littering, and obstructing pedestrian and vehicle traffic are all examples of harms that may impact a local community. Further, the location of a high-density number of packaged liquor licences in an area has been shown to be associated with elevations in the rate of family violence in that local community.¹⁸

The costs generated by these harms are not only borne by drinkers, their families and friends, but come at great expense to entire communities and can be measured in the form of premature loss of life, disability and reduced productivity, health, law and order system outgoings and other intangible costs.¹⁹

Manning, Smith and Mazerolle²⁰ estimated the total costs to society of alcohol-related problems in Australia in 2010 were \$14.4 billion. In current prices, this would now be around \$18 billion. If the population size (26 per cent) is used as a proxy to estimate total Victorian costs to society of alcohol-related problems, then in Victoria this amounts to around \$4.68 billion per annum.

Manning *et al* estimated the following proportions of the total cost of alcohol-related problems in Australia (the estimate of the breakup for Victoria based on the \$4.68 billion is also shown below):

- 20.6 per cent (\$0.96 billion) represents costs to the Victorian criminal justice system
- 11.7 per cent (\$0.55 billion) comprises costs to the Victorian health system
- 42.1 per cent (\$1.97 billion) involve costs to Victorian productivity
- 25.5 per cent (\$1.19 billion) are costs associated with Victorian traffic accidents.

¹⁸ Debbie Scott et al (2021), Alcohol Accessibility and Family Violence-related Ambulance Attendances, Journal of Interpersonal Violence

¹⁹ World Health Organization (WHO). (2010). Global strategy to reduce the harmful use of alcohol. Geneva, Switzerland: WHO

²⁰ Matthew Manning, Christine Smith and Paul Mazerolle (2013) The societal costs of alcohol misuse in Australia; Trends & issues in crime and criminal justice No. 454 April 2013, Australian Institute of Criminology, Commonwealth of Australia

Access to alcohol in the community and how it is regulated are key drivers in reducing alcohol-related harm. A balance must be struck between addressing harm and supporting a diverse and innovative industry that sells a legal product that provides recreational enjoyment and economic benefits. A key legislative and regulatory challenge is to balance these objectives within community expectations.

If the current Regulations are allowed to expire without being replaced, the liquor regulation framework would not function efficiently resulting in potential harms to the community. The World Health Organisation reports that alcohol has been identified as an important risk factor in different types of injury, contributing to the occurrence of both unintentional injuries (i.e. road traffic injuries) and intentional injuries (i.e., interpersonal violence) and that effective alcohol policies protect the health of populations.²¹ For example, with regard to patterns of alcohol consumption, heavy episodic (binge) drinking among young people aged 15–19 years is particularly prevalent (≥ 20 per cent) in Europe and high-income countries such as Australia.²²

1.4.2 Other considerations (or problems)

Changes in the supply of liquor and how it is consumed

Liquor regulations need updating to reflect changes in the supply of liquor and how it is consumed in this state has significantly changed since 2009.

The access to packaged liquor and the increased diversity in venues that supply liquor for consumption in the venue are central to the change in how liquor is supplied and consumed. The growth in the number of large packaged liquor outlets and the significant development of online access are two key developments that have resulted in a shift in consumption patterns. Online ordering and delivery of packaged liquor has resulted in a growth in convenience shopping. Packaged liquor accounts for between an estimated 60 to 70 per cent of all liquor consumed in the state.²³ The growth in restaurants and cafes and their importance to the night-time economy has also broadened the way liquor is supplied in the hospitality sector. These activities reflect a diverse industry that has evolved in the context of an enhanced consumer choice.

Regulations need to keep up with the changing nature of industry and consumer expectations.

Regulation costs - Regulator and Victoria Police

If the fees part of the regulations were allowed to expire, costs associated with the regulation of liquor would not be recovered and the recovery of costs is one of the central principles of government price setting. The problem is that costs associated with regulation in assessing applications and in the enforcement and compliance activities associated with regulation are determined by factors with varying levels of risk of alcohol-related harm. These varied levels of risk are due to differing:

- licence types with varying supply rights
- operating characteristics of licensed venues
- compliance histories.

The costs associated with this heightened level of enforcement are borne by the Commission and some functions of Victoria Police on top of its broader role of community safety and general policing. Further details on regulator and police costs are discussed in Chapter 4 (see sections 4.3; 4.4.4; 4.5.2 and 4.5.5).

²¹ World Health Organisation, Global status report on alcohol and health 2018

²² World Health Organisation, *ibid*

²³ Victorian Health Promotion Foundation, Report - [The social harms associated with the sale and supply of packaged liquor in Victoria](#), March 2013.

Objectives of the Act and the Regulations

The objectives of the legislation and regulations are outlined in sections 1.1 and 1.3. The primary objective of the LCR Act is to minimise harm by adequately controlling (and in some cases limiting) supply so that it contributes to the amenity of community life and not detract from it and encourages responsible consumption of alcohol. However, other objectives relate to the facilitation of a diversified industry and the desire to contribute to the responsible development of not only the liquor industry but those associated with it such as hospitality and live music industries.

The Regulations prescribe processes and requirements to help meet the overall objectives of the LCR Act. These include information requirements for new licence applications (or to vary current licences), the setting of liquor licence application fees and renewal fees, and the prescription of alcohol products that are banned.

2. Options considered in this RIS

2.1 Option development

The SL Act governs the preparation and making of statutory rules and legislative instruments in Victoria. In considering whether a proposed statutory rule or legislative instrument imposes a significant economic or social burden on a sector of the public, the SL Act Guidelines (the Guidelines) require that the Minister must consider:

- the base case (that is the absence of the proposed rule or instrument)
- whether the proposed statutory rule or legislative instrument imposes a burden on one or more sectors of the public
- whether that burden is a ‘significant economic or social burden’.

The Guidelines recommend a range of options are prepared for consideration including co-regulation and non-regulatory approaches, and those that reduce the burden on both industry and/or the community.

The following processes were undertaken to identify feasible options for this RIS:

- undertaking a full costing of all regulatory and quasi-regulatory costs associated with the liquor industry, including the costs of the Commission, Victoria Police and the State Revenue Office
- undertaking a comparison of liquor licence and regulatory regimes in other jurisdictions
- high level consultation with a range of stakeholders, including industry, harm reduction, academic and the Liquor Control Advisory Council
- engagement across government agencies and Departments
- drawing on this information to consider a broad range of options, and then propose several options for detailed analysis.

For completeness of review, DJCS also completed an exercise to assess the impacts on harm and industry burden if the Regulations were allowed to expire. This was assessed as a non-feasible option. [Attachment B](#) contains analysis of the impacts of allowing the Regulations to expire. In this Attachment, impacts as nil or minor, moderate or significant in terms of harm minimisation and industry burden. This is also analysed in sections 4.4.3 and 4.5.5.

2.2 Proposed options for detailed analysis

For this RIS, the status quo of the Current Regulations is used as the ‘reference case’ instead of a ‘no regulation’ position. The impacts of options will be assessed against this reference case. This will allow a more meaningful basis for comparison of the proposed changes to the regulations with the Current Regulations.

The Proposed Regulations largely remake the Current Regulations. However, there are some amendments that are expected to have a burden and require detailed analysis. These are contained in Parts 4 and 6 of the Current Regulations – security cameras and fees.

Options are developed for these parts and analysis undertaken commensurate with the burden of these regulations on industry. The other amendments contained in the Proposed Regulations are technical in nature and are unlikely to impose significant costs on industry or the community. Many amendments are of a technical or machinery nature and help other areas of the LCR Act or regulations to function efficiently. Alternative options are not considered for these amendments, but consideration has been given to ‘designing’ these proposals in the most efficient and effective way.

Under the current process, the Commission groups new applications into six distinct groupings. These application groupings are largely based on relative complexity and processing time/cost, which vary significantly between different application types. The current application groupings and respective fees are shown in [Attachment D2](#).

Options include:

- Liquor licence application fees:
 - **Reference case (current fees):** A flat fee is set for each of six application groupings for processing applications; fees do not further differentiate by risk.
 - **Option A1 (risk-based application fee model):** The liquor licence application process and fees reflect processing effort and principles of equity and risk of harm by the inclusion of risk-based factors for the calculating of application fees. These factors include later night trading, size of business (patron numbers, floorspace) and licence type.
 - **Option A2 (process cost application fee model):** The liquor licence application process and fee groupings are refined to better reflect processing effort (increasing application groups from six to 12). The processing effort is in turn a reflection of differentiated complexity and risk.
- Liquor licence renewal fees:
 - **Reference case (current fees):** Differentiated risk model comprising a base fee for each licence category and additional fee components for identified risk factors: late opening hours, poor compliance history, and venue capacity (as a multiplier).
 - **Option B1 (streamlined risk-based renewal fee model):** Implementing a simplified renewal fees model, relative to the reference case, to better reflect the level of risk for each licence category and to reduce red tape. A base fee and risk factors of late opening hours and poor compliance history, venue capacity and floor space apply. The venue capacity risk factor is applied as an addition, not a multiplier.
 - **Option B2 (expanded risk-based renewal fee model):** Implementing a comprehensive update of the current fee structure and broadening the number of all risk factors to seven (compared to four as per Option B1). This option adds further factors to the reference case specifically: location, number of venues/businesses owned and whether a licensee sells online.
- Security cameras:
 - **Reference case:** 5 frames per second and allows digital and video cassette recorder (analogue) storage.
 - **Option C1 – 8 frames per second and digital recording and storage**
 - **Option C2 – 8 frames per second, digital recording and storage, and prescribing security camera locations**, which will require many venues to install additional cameras.

2.3 Minor amendments

There are amendments contained in the Proposed Regulations that are unlikely to impose significant costs on industry or the community. Many amendments are of a technical or machinery nature and help other areas of the LCR Act or regulations to function efficiently. Alternative options are not considered for these amendments, but consideration has been given to 'designing' these proposals in the most efficient and effective way.

2.4 Options considered but not further analysed

Restrictions on the sale and supply of alcohol through licensing (accompanied by fees) has been a feature of the liquor industry in Victoria for more than 170 years, and all other comparable jurisdictions impose broadly similar licensing arrangements. Liquor licensing (and imposing conditions on licences) is fundamentally concerned with risk management.

Non-regulatory options such as education campaigns, industry-self regulation, and codes of conduct as stand-alone alternatives are not considered to be effective in achieving the government's harm minimisation objectives. That said, these regulatory tools do play an important part in the regulatory 'tool kit' for achieving the government and industry's harm minimisation objective by complementing the existing legislative and regulatory framework.

[Attachment C](#) contains further discussion on why these options would not adequately address the problems (as outlined in chapter 2).

There are few international jurisdictions where alcohol is minimally regulated (noting more recent moves to regulation in some due to harms caused). In these jurisdictions, there are substantially increasing levels of alcohol related harm.^{24 25}

²⁴ Park, K; New law on prevention and control of alcohol related harms in Vietnam Journal of Global Health Science, 2019

²⁵ Pomerleau J et al, Hazardous alcohol drinking in the former soviet union: a cross-sectional study of eight countries, Alcohol and Alcoholism, Volume 43, Issue 3, May-June 2008

3. Quantifying the Benefits and Costs

3.1 Methodology

3.1.1 Reference case

The costs and benefits of the options are considered relative to a 'reference case'. The reference case is the continued operation of the Current Regulations (the status quo). The use of a reference case as the preferred basis for analysing costs and benefits is discussed in section 2.2 above.

3.1.2 Calculation of costs

Wherever possible, the costs of options have been calculated. Costs are calculated over a 10-year period (i.e., the life of the Proposed Regulations) and are discounted so that they reflect costs in today's dollars terms. The real discount rate used is four per cent, as recommended by the Department of Treasury and Finance.²⁶

However, the benefits proved difficult to quantify in monetary terms, so were not quantified. This is because many benefits are 'avoided costs' associated with minimising harms caused by alcohol. Although there are measures of alcohol-related harm in the community at a high level, harm is a concept that is multi-dimensional and is an outcome of many inter-related activities and factors. Therefore, the use of a Multi-Criteria Analysis (MCA) assessment tool is used as the decision tool for the preferred options in this RIS. Quantified costs are reflected (where relevant) in the MCA scores.

3.1.3 Multi-criteria analysis assessment tool

MCA is used in this RIS to assess options. MCA draws on analysis of costs. MCA is a useful approach where it is not possible to quantify and assign monetary values to many of the impacts of a proposed measure (e.g., avoided harms associated with alcohol). Furthermore, it represents a convenient way of comparing a range of alternative approaches.

This technique requires judgements about how proposals will contribute to a series of criteria that are chosen to reflect the benefits and costs associated with the proposals. A qualitative score is assigned, depending on the impact of the proposal on each of the criterion weightings, and an overall score can be derived by multiplying the score assigned to each measure by its weighting and summing the result. Criteria are selected reflecting the government's objectives and weighting priorities in the context of reducing alcohol harms while reducing the regulatory burden on industry. These are discussed in the section below.

The advantage of MCA is that it provides a mechanism for comparing options where the data available is neither consistent nor comprehensive. MCA can be applied to a situation where there is a mixture of quantitative and qualitative data available. It is also a useful tool to use where there are competing objectives, which is the case with the LCR Act.

3.1.3.1. Criteria and weights

Table 1 details the four criteria and allocated weightings of the MCA that will be used to assess options. Two key principles in defining the criteria are that they should be mutually exclusive (not overlap) and completely exhaustive (cover all important objectives).

As discussed in chapter 2, it is appropriate that fees be set in a manner that addresses risk and harm while providing the means for industry to responsibly develop and balance the

²⁶ Department of Jobs, Precincts and Regions [Guidance on Discount Rates](#) (page 2) - A four per cent discount rate for the provision of goods and services in traditional core public service delivery areas where the benefits are not easily quantifiable in monetary terms (e.g. education, public health and justice).

generally accepted fee design principles of efficiency, equity, effectiveness and simplicity. All fee options analysed in this RIS are designed to consider the above in the context of sustainable cost recovery and reflect the aim that costs associated with the regulation of liquor should be recovered as much as possible as this is one of the central principles of government price setting. Cost recovery is not a criterion in this MCA because the level of cost recovery is similar for the options analysed. The impact of cost recovery on industry (through the payment of fees) is specifically considered through criterion three.

Table 1: MCA criteria and weights to apply to amendments

Criterion	Description	Weight (per cent %)
Harm minimisation	<p>The primary objective of the LCR Act is to minimise harm and risks generally associated with the misuse and abuse of alcohol</p> <p>The extent to which options minimise harm inclusive of the concept of encouraging positive behaviours to reduce levels of risk.</p> <p>This specifically refers to the ability of the option to meet the primary objective of minimising harm. Given that the impact of changes in behaviours or activities is uncertain, this criterion will be assessed qualitatively based on likely change in harm.</p> <p>Harms include those associated with precincts and entertainment areas (such as assault, robbery, vandalism and riotous, indecent, offensive behaviour) and those associated with broader community such as harm to minors, vulnerable persons and communities (whether to a community or a group within a community, including family violence associated with alcohol abuse).</p>	50 %
Responsible development and facilitation of a diverse industry.	<p>The extent to which the option contributes to the development of the industry provided this development is responsible and does not significantly increase the risk of harm. Although harm minimisation is the primary object of the LCR Act, it also seeks to meet community expectations; balancing responsible development and development of a diverse industry.</p> <p>Responsible development relies on a significant understanding of the relative risk of various supply activities. There are many differences in value created by liquor sales. For example, the volume for a licensee supplying alcohol orders from a large-scale packaged liquor premises versus a café and restaurant licensee providing a limited volume of alcohol as part of a takeaway order or for in-house diners is substantially different but this diversity in the industry needs to be accommodated within the need to foster responsible development and innovation.</p> <p>This criterion is about the extent to which the regulatory framework facilitates development for a given level of fees and other regulatory burdens. Criterion 3 is about the level of regulatory burden.</p>	20%
Industry - minimise regulatory burden	<p>Administrative and compliance costs borne by regulated entities (licensees) and applicants associated with complying with the option. Costs include fees paid by licensees. Regulatory requirements, particularly the structure of fees, should be easy to understand, particularly as related to significant process systems such as those for liquor licence fee applications and renewals.</p> <p>Costs will be quantified where they are significant and feasible to measure. These estimates and costs assessed qualitatively will both inform the overall score for each option.</p>	20%
Government - administrative burden	<p>The burden on the government in the form of costs associated with changes to regulation and related processes. Simpler structures will be easier to administer.</p> <p>Costs will be quantified where they are significant and feasible to measure. These estimates will be used to inform the qualitative assessment which will be used to identify scores for each option.</p>	10%
Total		100%

3.1.3.2. Scoring

The MCA uses a scoring scale that ranges from -10, where a proposal does not meet any of the government's objectives, to +10, where the government's objectives are fully met. A score of 0 represents a position equivalent to the current arrangements or status quo. Table 2 shows the range and description of the scoring within that range that will be applied to each element of the major issues being dealt with via amendment.

Table 2: MCA scoring scale to apply to detailed analysis

Assigned Score	Description
-10	Very significant negative impact
-7	Significant negative impact
-3	Moderate negative impact
0	No impact compared with Reference Case (status quo)
+3	Moderate positive impact
+7	Significant positive impact
+10	Very significant positive impact

Each option is assigned a score between -10 and 10 for each criterion. For example, an option that minimises harm but increases regulatory burden on industry and the government might score: 5 for harm minimisation; -5 for regulatory burden; and -5 for government burden.

A weighted score for each option is calculated by multiplying assigned scores by weights and summing. The weighted score for the example option in the paragraph above would be $5 \times 50\% + (-3) \times 40\% + (-5) \times 10\%$, which results in a net score of +0.8. This option would suggest that it provides a slight improvement over the current arrangements.

4. Liquor licence applications and renewal fees – Assessment of options

4.1 Purpose of the chapter

The purpose of this chapter is to examine options for liquor licence application fees and renewal fees.²⁷

- **Application fees** are charged when a person applies for a new liquor licence or when seeking to vary (e.g., to change hours of operation or the area or size of the premises or a producer seeking to sell its product at promotional events that are conducted off the licensed premises or transfer a current licence). Currently, each year there are approximately 16,000 liquor licence applications in total.
- **Renewal fees** are required to be paid by 31 December (annually) by all 24,336 permanent licensees and permit holders. Renewal fees do not apply to temporary limited licences and major event licences. The fees are intended to recover the costs of regulating the liquor industry and are structured to achieve the government's objective to recover costs and to impose fees that reflect the levels of risk posed by different types of licences and the broader risk of alcohol-related harm.

4.2 Recovery of costs

4.2.1 Licence categories and their role in fees

Licence categories represent different supply channels and represent whether liquor is sold for immediate consumption on a premises or in packaged form for consumption off the premises. Moreover, licence categories have differing rights regarding supply of liquor and different associated levels of risk generally. Licence categories also represent partially how central the sale of liquor is to the business, for example, comparing a packaged liquor retail outlet with a restaurant and café.

Licence category risks are comparative, and it is on this basis that general, on-premises and packaged liquor licences generally represent a relatively higher risk level than other licences such as producer's, restaurant and café, club and pre-retail licences. This is to do with the volume and type of venues that are licensed under each category and their interaction with the general community.

For example, the primary focus of a hotel or a bar is the supply of liquor for consumption on the licensed premises and these licensed venues are often co-located in entertainment precincts. They are also associated with late night trading. Packaged liquor licences can sell large volumes of packaged liquor to the public from a retail store and online. Given the predominance of packaged liquor as the major source of liquor consumption and its relationship with community level harms these can also be deemed high risk.

4.2.2 Applications process

Application forms are submitted to the Commission, including a plan of the premises and other supporting documents. Upon receipt of the application, the Commission (through LCV) provides relevant information to Victoria Police and local council for comment (see [section 1.3.2](#) for details relating to LCV). The Commission assesses each application and liaises with the applicant to ensure that all required documents are submitted. The Commission

²⁷ The year 2019-2020 is chosen to remove the effects of COVID-19. These numbers also do not include liquor licence to premises that provide sexually explicit entertainment (those are regulated directly under the LCR Act) and removes liquor licences no longer required under the Amendment Act.

determines applications under delegation or refers applications to Commissioners where appeals may be lodged.

Victoria Police, local councils, licensing inspectors or members of the public may object to the application on various grounds. The LCR Act provides that the Chief Commissioner (Victoria Police) may object to an application on any grounds he or she thinks fit. Local councils may object on the grounds that granting the application would detract from the amenity of the area, or in the case of packaged liquor licence applications that would encourage the misuse or abuse of alcohol. Licensing inspectors may object on the grounds of amenity or harm. Any member of the public may object on the grounds of amenity.

An internal hearing of the Commission may be conducted if an objection is received in response to an application. Under the LCR Act, three or more Commissioners (excluding the original decision-maker) can, on application, collectively conduct a review of the decision of a delegate (a Commission staff member) or single Commissioner.²⁸

The process steps considered for administration of liquor licence applications include:

- assessing and processing licence applications
- assessing and preparing objections to applications
- providing education and training activities for assessing and processing applications
- preparing and issuing invoices and processing of payments.

Further detail of the process steps completed by the Commission in the consideration of liquor licence applications is provided at [Attachment D3](#). [Attachment D10](#) details the Commission's estimated average time/effort required to assess and determine an application.

4.2.3 Compliance activities

Activities and processes undertaken in regulating and monitoring the liquor industry by the Commission (including processing of annual fees by the State Revenue Office (SRO) for the Commission), and Victoria Police for the recovery of costs. Such costs may be direct costs (i.e.; salaries of licensing section personnel of the Commission) and indirect (i.e.; legal services costs of the Commission expended for compliance activities).

Commission

The Commission regulates liquor licensing for the benefit of the Victorian community by focussing on integrity, harm minimisation and the attainment of innovation, diversity and responsible development of the liquor industry.

The Commission uses an integrated approach that is focused on using licensing, information, education, monitoring and enforcement functions in combination to solve problems, and achieve its regulatory objectives and outcomes for the community.

The Commission takes a problem-solving approach to enforcement to encourage individuals and regulated businesses to choose to comply with their obligations and motivate those found to be non-compliant to change their behaviour and comply with liquor laws in the future.

²⁸ Since 31 December 2022 the LCR Act included a new power for VCAT to review internal review decisions made by the Commission. New sections 169 and 170 will allow eligible parties to apply to VCAT within 28 days of the Commission's decision (or the date a party receives a statement of reasons as the case may be). Hearings will be open to both licence applicants and objectors.

Victoria Police

Victoria Police operates a range of liquor licensing-related work units and functions. The Chief Commissioner of Police has the right to appoint licensing inspectors for enforcing the provisions in the LCR Act. Such functions include, but are not limited to, the following areas:

- State Liquor Unit which provides a dedicated, specialist response to licensed premises through partnerships, early intervention and enforcement of liquor licensing and related provisions.
- Liquor Licensing Unit which provides specialist liquor licensing support to licensing inspectors and other members performing liquor licensing duties.
- Divisional Licensing Units which perform a range of liquor licensing duties on behalf of their division including application assessment, enforcement and intelligence gathering.

Employees at police stations across Victoria also perform liquor licensing-related duties as part of their general duties. Such liquor-related functions include patrolling licensed venues, issuing infringements, responding to reports of crime at licensed premises, and attending liquor accords/forums.

State Revenue Office (SRO)

The SRO produces and issues annual liquor licence renewal notices and collects the related payments on behalf of the Commission. The tasks undertaken by the SRO include:

- liaising with external service providers to prepare, produce and issue renewal notices
- answering telephone enquiries from customers regarding notices and payments
- receipting payments and reconciling payment files
- collating and forwarding documentations to the Commission.

Separate estimates of costs for SRO services are not provided but considered to be in-built as part of Commission costs overall.

[Attachment D4](#) provides further detail on the above activities/processes.

4.2.4 Regulatory costs

DJCS undertook a costing exercise to quantify the total costs associated with liquor regulation. Data from 2019-20 is used as the reference year for revenue collections to reflect ordinary trading conditions (i.e., pre-COVID19 pandemic).

The cost of administering liquor licences in Victoria imposes a direct cost on government of about \$15.7 million annually. This being the direct cost of the Commission in the assessment and processing applications; and the general regulation and monitoring liquor licences.

The total cost of regulation may be closer to \$37 million if Victoria Police costs related to liquor are included.

Victoria Police activities directly related to liquor regulation, compliance and enforcement are undertaken as part of general policing funded through a number of revenue sources. Linking all such activities to liquor fees would not be reflective of a pure cost estimate for cost recovery. However, these dedicated functions and units directly contribute to reducing alcohol related harm by means of such compliance and enforcement activities. As such, Victoria Police cost estimates are applied in the calculating of total costs incurred in administering the liquor licensing regime in Victoria.

The Proposed Regulations seek to recover direct regulatory costs as related to fees, while encouraging compliance and providing incentives for licensees to minimise harms. They seek to provide a fee regime that also considers an ability to pay and the need to encourage

development of a diverse industry in a way that minimises harm. It also needs to be recognised that the liquor industry contributes to government revenue in other taxes not just through the payment of fees. Other revenue benefits from the liquor industry include GST and other taxes. The fees framework should not be viewed as the mechanism that is a primary driver of contribution to the state by the existence of the industry. It is this balance between cost recovery, harm and other factors that are the essential considerations of this RIS.

Table 3 summarises the estimated costs for liquor licence applications, renewals and for other costs directly prescribed in the LCR Act. [Attachments D3 to D6](#) details how these costs are derived.

Table 3: Estimated regulatory costs for administering liquor licences in Victoria

Agency	Applications (processing and administration)	Renewals (compliance and enforcement)	LCR Act (prescribed fees)	Total
Victoria Liquor Commission*	\$4,731,000	\$10,500,000	\$500,000**	\$15,731,000
Victoria Police		\$21,204,225		\$21,204,225
Estimated costs - total	\$4,731,000	\$31,703,225	\$500,000	\$36,935,225
Estimated costs - Percentage	13%	86%	1%	100%

Notes: * The responsibilities for liquor regulation were transferred to the Victorian Liquor Commission, supported by the Liquor Control Victoria business unit, on 1 July 2022. ** Liquor licence fees for premises that provide sexually explicit entertainment are set in the LCR Act. These costs are provided for completeness of information only.

4.3 Differentiating risk in the setting of fees

When the current fee structure was introduced in 2009, the RIS ²⁹ noted that there were data limitations that affected the assessment of the level of risk posed by different licence groups. Since 2009, more comprehensive data has been collected and can be used to identify issues with the current structure and propose amendments.

[Attachment D8](#) details the analysis conducted on compliance data used to assess risk posed by different licence categories. The data suggests:

- Application fees and base renewal fees are not reflective of risk-based regulatory effort. Some riskier licence types which require more regulatory oversight, are not allocated the highest fee and some less riskier licence types are assumed to have a higher risk profile. By way of example, the risk level of pre-retail may not be as risky as previously assumed. The actual risk of harm from alcohol is captured in the subsequent retail sale of the alcohol, and corresponding assessed risk level of licences that can sell packaged liquor from a wholesale supplier.
- The use of operating hours risk fee is successfully meeting its intent. The data suggests late night licences tend to be at a higher risk of non-compliance.
- The compliance history risk fee is not adequately reflecting relative risks and enforcement effort. The number of trigger offences detected is too small, and it only considers a history of non-compliance for the previous 12 months.
- Previous assumptions that only the largest venues posed the higher risk of alcohol harm, is not correct. Data indicates that the mid-sized venues (101-400 persons) have a high-risk profile as well. Importantly, as the venue capacity increases, the risk of alcohol

²⁹ Department of Justice Liquor Control Reform Regulations Regulatory Impact Statement, August 2009

harm appears to peak and is maintained. Recent external research also reinforces the direct relationship between size and risk of alcohol-related harm.³⁰

- The venue capacity risk factor is not meeting its intended function. In the current model, considering venue capacity as a multiplier means that all risk factors are exacerbated by the patron capacity (in addition to the limitations for venue capacity above). By applying venue capacity as a multiplier of other factors, the current model is based on the risk posed by a licensee’s trading hours or compliance history being only as risky as the venue capacity, which is not supported by the evidence.
- Research suggests that other risk factors may be relevant in assessing risk: floor space, location, density, online sales and number of outlets.

DJCS is proposing to group licence categories into a four-tier risk-hierarchy, for the purposes of a base fee, making it simpler to understand and administer. A risk category for temporary and renewable licences and for variations cannot be ascertained due to the highly variable nature of the activities the licences authorise and the wide-ranging variations applied for by current licensees respectively. Three variables were used to create the risk hierarchy to assess the risk of harm associated with each licence category and to determine the recommended relative levels of base fees. These three variables, identified from analysis of liquor licence compliance data as having the strongest correlation to compliance and licence category, and therefore risk, are: demerit points, infringement notices and written warnings.

Disciplinary actions, advertising/promotion bans, enforceable undertakings and criminal prosecutions data were not considered in the risk hierarchy as there was only a small number of instances with no visible correlation between the compliance data and licence category.

For packaged liquor, the volume of liquor sold to the community and the percentage of consumption attributed to its purchase (between 60 and 70 per cent), its relationship with particular harms such as family violence make it a very high risk as indicated below.

Table 4 outlines the proposed risk hierarchy. Options analysed in this chapter for both applications and renewal fees adopt this hierarchy.

Table 4: Proposed liquor licence risk hierarchy

Proposed Base Fee Grouping	Categories ³¹
1 Very high base fee	Packaged liquor Late night (packaged)*
2 High base fee	On-premises Late night (on-premises)
	General Late night (general)
3 Middle base fee	Full club
	Renewable limited
	Remote seller’s (previously Renewable limited)
	Restaurant and cafe
	BYO Permit
	Producer
4 Low base fee	Pre-retail
	Restricted club

³⁰ P. Miller, et al., 2021, *Size Does Matter An exploration of the relationship between licensed venue capacity and on-premise assaults*, Alcoholism: Clinical & Experimental Research.

³¹ Descriptions for each liquor licence category are provided at vgccc.gov.au

Proposed Base Fee Grouping	Categories ³¹
Not applied - flat fee only	Applications for major events (single & multiple) Applications for temporary limited licences Applications to vary a licence Applications to modify a licence

Stakeholder feedback on the effectiveness of various components of the fees model was sought from key industry, academic, and community group stakeholders by means of a survey as part of consultation on the remaking of these regulations.³² All stakeholders surveyed agreed that a risk-based fee structure represented good policy but responded that the current risk factors and fee structure could be improved. Engagement did not consider exact fees.

In general, industry feedback was that the risk factors are inequitable across licence types and do not consider individual situations, such as harm minimisation activities conducted on the premises. Other stakeholders, such as community and public health bodies, broadly support the current risk factors but believe the fee system should include a broader range of risk factors and that the current structure be reassessed to ensure that it considers all appropriate factors that could increase the risk of harm.

4.4 Application fees – Assessment of options

4.4.1 Problem statement

Victoria's current liquor licence application fees are intended to reflect the regulatory effort involved in assessing and processing applications and the administration of the application system, but current fees do not achieve this aim, nor do they differentiate on risk (as is the case with renewal fees). Many applications for new licences have the same cost. Table 5 indicates the current application fee structure in terms of licence categories. See [Attachment D11](#) for a comparison of application fees in other jurisdictions in Australia.

Table 5: Liquor licence application fees (as at 1 July 2022) ³³

Licence or Variation	Fee units	Fee
All licences except those below:	32.44	\$496.00
• BYO permit	17.43	\$266.50
• Temporary limited licence (when applied for by a current licensee)	7.74	\$118.30
• Temporary limited licence (when applied for by a non-licensee)	4.18	\$63.90
• Major event licence (a single applicant for one or more licences)	66.6	\$1018.30
• Major event licence (multiple applicants)	9.99 (per licence)	\$152.70
Variations		
All variations except producer for promotional events	14.62	223.50
Promotional event condition – producer	7.74	118.30

³² Chapter 10 provides further detail on the stakeholder survey on renewal fees completed as part of consultation on the remaking of the regulations.

³³ [Liquor licence application fees \(vgccc.vic.gov.au\)](https://vgccc.vic.gov.au) accessed January 2023

The DJCS cost exercise highlighted application fees do not recoup the estimated costs of the liquor regulator to administer the application process. Revenue collected from application fees is \$2.7 million, whilst full cost recovery is estimated to be \$4.7 million.

Further, the current application fee model is not sufficiently representative of the relative risk of different licence categories. Specifically:

- **There is limited differentiation based on risk.** Certain licence categories are associated with greater risks of alcohol-related harm. For example, a restricted club has a lower risk profile than a full club due to the relative size of the establishment and the volume of alcohol sold. Additionally, a restaurant and café licence has a lower risk profile than both a general and on-premises licence as it has controls on how that licence operates (alcohol with meals small packaged liquor volume only permitted to be delivered or picked up with an adult meal). Differing supply rights for each licence is one driving factor that suggests there is not an equal risk associated with each licence. Currently, only BYO permits, non-permanent licences or permits such as temporary limited licences, and major event licences have differentiated application fees. There is a need to refine application fees to be more reflective of the relative risk presented by the different licence categories.
- **Within categories there is no differentiation associated with size.** A large packaged liquor store (over 750 sqm) currently has the same application fee as a small independent store that may approximate 100 sqm. Larger floor space represents a greater risk of harm for larger packaged liquor stores similar to larger bars (on-premises) or hotels (general), which are currently accounted for by venue capacity risk factor.
- **The later the trading hours in general, the greater the risk of harm.** Hours beyond 1am are characterised by significant increases in police incidents and ambulance attendances. Although usually related to entertainment precincts that have a cluster of similar venue types, it also relates to alcohol-related incidents on private property which is often the result of the consumption of packaged liquor. General, on-premises and packaged liquor licences can be late night licences under the LCR Act.

4.4.2 Other considerations

Minor fees

Sections 105(1A) and 106(1A) of the LCR Act require applications by a licensee to let/sublet or to permit another person to carry on a business of supplying liquor on the licensed premises to be accompanied by the fee specified in the regulations.

Similarly, section 80(3) and 81(2) of the LCR Act require applications to be accompanied by a fee. Section 80(3) provides for administrators such as a personal legal representative of a deceased licensee or an official receiver, trustee or assignee of a licensee who becomes an insolvent under administration to apply to the Commission to have their name or the name of their agent endorsed on a licence. Section 81(2) provides for owners/mortgages in possession of licensed premises from which a licensee has been legally evicted or has deserted, to apply to the Commission to have their name or the name of their agent endorsed on a licence.

No fees are currently prescribed for these applications. The Commission estimates that the regulatory effort required to assess and process these applications is similar to applications to transfer a licence or permit. Specifically, the application processes typically involve referral of the application to Victoria Police for comment. In the case of section 105 and section 106 applications, delegates are also required to conduct a detailed review of the lease/sub-lease or management agreement submitted by the applicant.

Registered charities

Applications for the issuing of temporary limited licences include licences for events from which there is a social benefit to the relevant community. The activities associated with such applications usually involve significant fundraising for charitable causes within the region or promotion of other valuable social or cultural events. Currently, a temporary limited licence application fee is charged for such events. Under the fee model for South Australia,³⁴ a \$0 fee is set where an applicant seeking a temporary limited licence is an entity registered under the *Australian Charities and Not-for-profits Commission Act 2012*.

It is proposed that an application for a temporary limited licence from a non-licence holder for a charitable event will not have an associated fee.

4.4.3 Issues were the Regulations to expire – Application fees

Prescribed particulars and information

The Regulations prescribe the minimum amount of information required by each applicant and the fee units that apply for applications. The Regulations prescribe the ‘particulars’ (e.g., name, address of applicant, address of premises, description of the nature of the business, licence conditions sought) and ‘information’ (e.g., an accurate description of the premises, relevant permits under the Planning and Environment Act 1987) that must be included in an application.³⁴

If the Regulations were to expire without being remade, this would mean that for applications for the grant, variation, relocation, or transfer of a licence there would be:

- no prescribed particulars
- no prescribed information to be included in the application, and
- no prescribed fee units for licence applications.

This would mean that an applicant would be required to provide the information that is contained in the LCR Act. This only includes basic information such as a list of the names, dates of birth, and addresses of the associates of the applicant, and if the applicant is a body corporate, of each director of the applicant. It also includes the disclosure of any demerit points that have accrued within the previous three years on a licence or permit that the applicant or a nominee of the applicant has held or holds at the time of the application and a plan or depiction of the premises in respect of which the licence or BYO permit is sought in a form specified by the Commission. This basic information would not permit the Commission to make efficient and informed risk-based decisions.

If the Commission did not have sufficient information this could result in:

- determination delays due to the need to request this information, imposing costs on industry
- licences being issued with respect to inappropriate locations or persons, and/or
- an increase in requests for reviews of Commission decisions.

The Commission would be required to request further information from the applicant in many instances and applicants could experience significant delays. Significantly, no fees could be charged (i.e., the taxpayer would be funding these applications). This would be contrary to

³⁴ [Apply for a liquor licence \(www.sa.gov.au\)](http://www.sa.gov.au) accessed January 2023

fee design principles (e.g., efficiency and equity) and could encourage a greater than optimal demand for liquor licences (i.e., an absence of a price signal).

The prescribed particulars and information that must be included in an application are set out in [Attachment D1](#). The prescribed fee units under the Current Regulations for applications are provided at [Attachment D2](#).

4.4.4 Options for analysis

Two options have been analysed for application fees. The requirements of Victoria's [Pricing for Value guide](#)³⁵ have been considered in developing options.

Option A1 would remake the application process differentiated according to risk. Applications for higher risk operations will be charged higher fees that are commensurate with the higher social costs and processing time of these applications. The lowest risk licence applications would have a slight reduction in cost. Venue size is identified as a risk factor in its own right (the size factor will depend on the licence type and can be patron size or floorspace) - this becomes another factor in differentiation between applications affecting their assessment and processing.

Option A2 would update the liquor licence application process reflecting processing effort, including a revised assessment of the regulatory effort undertaken for particular licence categories (grouped according to regulatory effort). Option A2

accommodates recent changes to the licence categories and represents a more relevant assessment and processing effort than is the case currently (see Reference case). However, the level of risk is not dealt with as comprehensively as is the case with Option A1.

The two options include the setting of application fees for minor regulatory activities outlined above in section 4.4.2.

The options assessed are analysed against a 'reference case' of the Current Regulations.³⁶

Reference case: A flat fee is set for each of six application groupings for processing applications; fees do not further differentiate by risk.

The reference case is represented by the position whereby the regulations are remade in their current form with only minor changes to reflect the Amendment Act (including applications for large-packaged liquor outlets and for the new licence category of remote seller's PLL).

The six licence application groupings remain unchanged in the reference case (i.e., applications for a: new licence, BYO permit, temporary limited licence, major event (single applicant and multiple applicants), to modify a licence, and applications for promotional event authorisation).

Application Groupings

Applications for different licence types are grouped together based on two criteria:

- similarities identified in the type of application submission i.e., new licence or variation to a licence
- the regulatory effort determined for assessing and processing the applications. Processing effort reflects the level of assessment required based on the risk weightings applied.

³⁵ Victorian Government, Department of Treasury and Finance, Pricing for value A guide for government services Pricing principles, July 2021

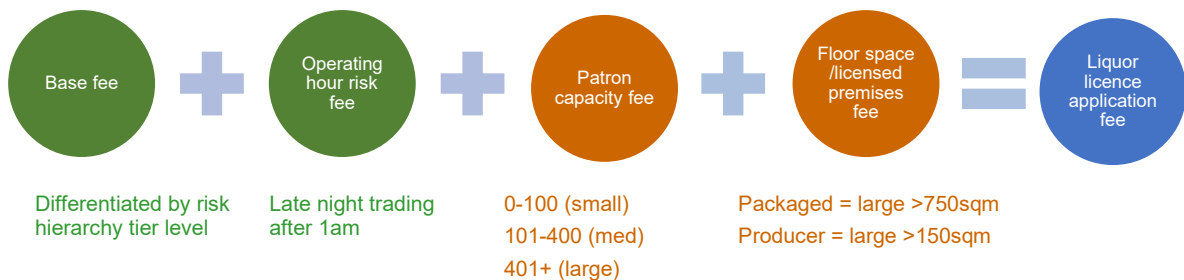
³⁶ The reasons for analysing against a reference case of the Current Regulations rather than no Regulations are discussed in Chapter 3.

Option A1 –Risk based application fee model: The liquor licence application process and fees reflect processing effort and principles of equity and risk of harm by the inclusion of risk-based factors for the calculating of application fees.

Under Option A1 ([Attachment D13](#)):

- application fees are differentiated according to the four-tier risk hierarchy as detailed in section 4.3. For example, applications for higher risk operations are charged higher fees that are commensurate with the higher social costs and processing time of these particular applications.
- application fees are further delineated by venue size as defined by patron capacity and hours of operation (trading after 1am) for the licence types of general, on-premises, full club, restaurant and café; acknowledging the increased processing effort for applications pertaining to larger venues due to increased complexity regarding risk. The highest base fee is reserved for late night packaged liquor licence applications as these venues compound two very high-risk factors – sale of packaged liquor late at night.
- floorspace size (retail and storage) is used as a proxy measure for risk for packaged liquor (licensed premises floorspace) and remote seller’s (storage area); and producers where a producer is deemed large if its licensed premises area is greater than 150 sqm.

The model for calculating application fees for Option A1 is represented below.



Delineating risk beyond tier levels for limited clubs and for renewable limited licences is not proposed given current supply limitations of these licence categories in the LCR Act.

Limited clubs are allowed to supply alcohol to their members and their guests to drink within the licensed area. In contrast with full clubs, they are not able to supply members or guests with alcohol to take away. Commonly, they are also restricted to supplying alcohol at point of sale, for example, from a booth or canteen during sporting events, and have limited hours which the licence specifying when the sale of alcohol must stop.

Renewable limited licences can only be granted where the Commission is of the view that scale and scope of the supply of liquor the subject of the licence is limited in nature.

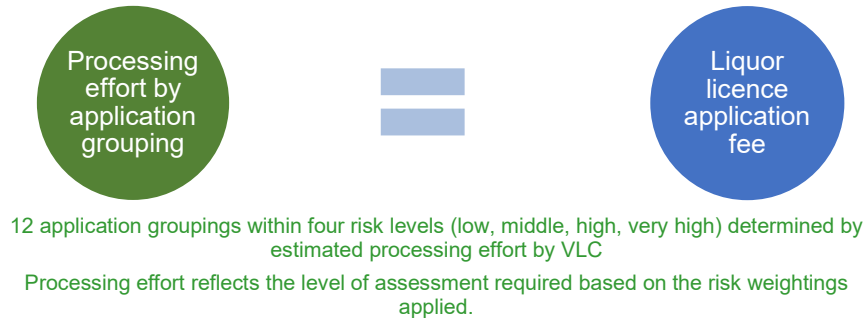
Pre-retail licences (effectively wholesalers) are also deemed not to directly contribute to harm as the sourcing licensees of their sales (for example, packaged liquor stores) are already included in the risk profile to the community and to add pre-retail licences as themselves a risk would be double counting.

Option A2 – Process cost application fee model: Update the number of application groupings to better reflect actual regulatory process effort.

This option remakes the regulations to reflect the Amendment Act and also incorporates revised estimates to better reflect the actual regulatory effort expanded over existing and new application groupings ([Attachment D14](#)). The revised estimates reflect the experience of the Commission and incorporate the additional effort and complexity of higher-risk licence applications. This option has more refined application groupings, relative to the reference case:

- application groupings would increase from six to 12, separating current major event and variation groupings to better reflect regulatory effort estimates and for the endorsement, letting or sub-letting and control of business of supply of liquor applications
- prescribed fee unit allocations for applications would apply the revised estimates of regulatory effort.

The model for calculating application fees for option A2 is represented below.



The SL Act requires a RIS to consider other practicable means of achieving the objectives, including ‘non-regulatory’ options. Non-regulatory options such as education campaigns, industry-self regulation, and codes of conduct as stand-alone alternatives are not considered to be effective in achieving the government’s harm minimisation objective. Non-regulatory options are not applicable for directly setting fees. However, non-regulatory options can complement the government’s objectives in setting fees. [Attachment C](#) contains further discussion on why these options are not considered practical.

Note on Cost Recovery

The recovery of costs for licensing under option A1 recovers approximately 85.3 per cent of total costs of regulating the sector (or \$4.04 million) and 99.2 per cent (or \$4.7 million) under Option A2. As most cost are recovered under both options, cost recovery has not been explicitly included as a criterion in the MCA. Compared to the reference case, the level of cost recovery will be greater under both options.

4.4.5 Analysis of options and impacts

Detailed analysis of options against assessment criteria

The options assessed are analysed against a ‘reference case’ of the Current Regulations.⁴⁰ The costs and benefits of the proposed options are considered relative to the reference case of the continued operation of the Current Regulations. MCA is used to determine the preferred option because of the difficulty involved in quantifying some of the costs and linking a specific proposal to an estimated reduction in harm. A positive score indicates an option is better than the reference case and a negative score indicates an option is inferior to the reference case.

Analysis assumptions

The current cost to industry of the application system is \$2.7 million annually. Scoring is based on the estimated additional costs incurred (relative to the reference case) and assumes no transition arrangements are in place for the introduction of any changes to application fees.

The following criteria is applied to determine a ‘small business’:

- Venue capacity of between 0 and 100 patrons
- Producer’s floor space of less than 150 sqm
- Packaged liquor floor space of less than 750 sqm.

Option A1 (risk-based application fee model): Analysis of criteria

A score of +6 is assigned to the criterion of harm minimisation. Introducing new licence application groupings that align fee amounts with relative risk of harm of the respective licence types will provide price signalling to applicants in terms of the relative harm that a particular licence type generally carries.

The revised groupings communicate to applicants that more targeted applications are required for obtaining or varying licences because there are more groups. A more nuanced approach to assessing licence applications will aid in the identification of higher risk applications and allow for a more comprehensive appraisal of these applications. This may result in more applications being rejected or better targeted conditions being placed on certain licences.

A score of +4 is assigned to the criterion of responsible development and facilitation of a diverse industry. The creation of new licence application groupings support the responsible development of a diverse industry. Applications for medium and lower risk operations should require a relatively lower level of scrutiny, which facilitates responsible development. This option would also provide price signalling to prospective applicants resulting in a more effective means of directing investment towards lower risk enterprises. Community expectations are that the industry develops in a way that does not result in harm yet offers them greater choice – especially with smaller venues or operations (such as small producers) and this is a consequence from this redirected investment.

A score of -3 is assigned to the criterion of minimising regulation burden to industry. The increased costs of licence applications and the inclusion of new fees for licence variation applications for endorsements, sub-letting and control of business result in a negative score. In some cases, the percentage increase is significant; nevertheless, the cost of a liquor licence application represents a relatively small proportion of overall operating costs.

Some applications fees will increase; others will decrease in order to better align the fee units with relative level of risk. For example,

- An application for a new licence - packaged liquor (large) would increase from 32.44 fee units (\$496.00) to 165 fee units (\$2522.85)
- New licence application restaurant and café - medium would increase from 32.44 fee units (\$496.01) to 44 fee units (\$672.76), while a small restaurant and café licence application would decrease to 30 fee units (\$458.70)
- A small producer licence application fee would decrease from 32.44 fee units (\$496.00) to 19.87 fee units (\$303.80), while a licence application for large producer licence would decrease by a smaller amount to 30 fee units (\$458.70)
- Major event (single applicant) would increase from 66.6 fee units (\$1018.30) to 200 fee units (\$3058.00).

Option A1 is expected to impose additional financial and administrative costs on industry annually of **\$5.36** million, and a PV of near \$43.5 million over 10 years, discounting at four per cent ⁴¹ which consists of:

1. **\$4.04** million in recovery of costs through fees (financial costs) – an additional amount of \$1,326,046 (49 per cent) of costs is estimated to be recovered annually (delivering an overall total amount for recovery of \$4,038,597 or approximately 11 per cent of total estimated costs). [Attachment D13](#) details the distribution of prescribed fee units and charges per application by licence type and total recovery of costs based on the number of applications received per licence type under Option A1 based on 2019-20 FY data provided by the Commission, and

2. **\$1.32** million in incurred costs annually for objections (administrative costs) – Costs to industry in preparing for the submission of a large PLL application and responding to objections to such an application are also incurred. These costs are estimated to amount to approximately \$1.32 million per annum. Table D12.2 of [Attachment D12](#) provides a breakdown of such costs.

A score of -2.5 is assigned to the criterion of administrative burden for government.

The introduction of new licence application groupings would likely require administrative changes to procedures and web-based interfaces. These represent increased costs in the establishment of these processes through technology changes, production of new guidance materials and training changes. The proposed application fee model in Table 7 below contains 35 proposed categories for applications (not including variations to current licences). The current application categories as outlined in [Attachment D2](#) has 18 licence categories and seven types of variations in 6 groupings. While application assessment activities form part of standard operations as outlined in [Attachment D3](#), any costs are assumed to be addressed as part of annual budgets recovered by liquor licence application fees. Increased costs are associated with this more detailed and numerous application groupings. A negative score is assigned to take this into account.

Taken together, **Option A1 receives a net weighted score of +2.95**, which is an improvement over the Current Regulations (reference case).

Option A2 (process cost application fee model) - Analysis of criteria

A score of +4 is assigned for the criterion of harm minimisation. Like Option A1, introducing additional licence application groupings should moderately reduce harm compared to the reference case by allowing for a greater focus during the application process on those licence applications associated with higher risks including large PLL greater than 750sqm and late-night hours of operation. The current range of groupings subsume riskier licence groupings with less riskier groupings. Relative to Option A1, however, the fee differentiation between licence categories in relation to relative risk level, is not as substantial.

A score of +3 is assigned to the criterion of responsible development and facilitation of a diverse industry. The creation of new licence application groupings supports the responsible development of a diverse industry. Like Option A1, applications for medium and lower risk operations should require a relatively lower level of scrutiny, which facilitates responsible development than occurs in the reference case. With regard to Option A1, the price signalling effect here is deemed to be of a lower impact due to the lower degree of fee differentiation between licence categories.

A score of -3.5 is assigned to the criterion of minimising regulatory burden to industry. The increased costs of licence applications and the inclusion of new fees for applications for endorsements, sub-letting and control of business result in a negative score. In some cases, the percentage increase is significant; nevertheless, the cost of a liquor licence application represents a relatively small proportion of overall operating costs. Further, in many instances a business may only need to apply for a liquor licence once (whereas liquor licence renewal fees occur annually).

An increase in application fees for all licence types is necessary to provide for the recovery of regulatory costs (see [Attachment D7](#)). Some applications fees will moderately increase, other applications will significantly increase. For example,

- An application for a new licence - late-night (packaged liquor) would increase from 32.44 fee units (\$496.00) to 69.933 fee units (\$1060.00)
- New licence application (restaurant and café) would increase from 32.44 fee units (\$496.01) to 55.46 fee units (\$848.00)

- A producer licence application fee would increase from 32.44 fee units (\$496.00) to 55.46 fee units (\$848.00).
- Major event (single applicant) would increase from 66.6 fee units (\$1018.30) to 110.92 fee units (\$1696.00).

Option A2 is expected to impose additional financial and administrative costs on industry annually of **\$6.02 million**, and a PV of near \$48.8 million over 10 years, discounting at four per cent ⁴¹ which consists of:

1. **\$4.7 million** in recovery of costs through fees (financial costs) – an additional amount of \$1,980,493 (73 per cent) of costs is estimated to be recovered annually (delivering an overall total amount for recovery of \$4,693,044 or approximately 13 per cent). [Attachment D13](#) details the distribution of prescribed fee units and charges per application by licence type and total recovery of costs based on the number of applications received per licence type under Option A2 based on 2019-20 FY data provided by the Commission, and
2. **\$1.32 million** in incurred costs annually for objections (administrative costs) – Costs to industry in preparing for the submission of a large PLL application and responding to objections to such an application are also incurred. These costs are estimated to amount to approximately \$1.32 million per annum. Table D12.2 of [Attachment D12](#) provides a breakdown of such costs.

A score of -0.5 is assigned to the criterion of administrative burden for government.

The introduction of new licence application groupings would likely require administrative changes to procedures and web-based interfaces. The increased costs associated with this are assumed to be minimal; addressed for the most part through annual budgets recovered by liquor licence application fees. However, it is recognised that through the undertaking of such administrative changes, the opportunity to allocate resources to other tasks is removed. Therefore, a small negative score is assigned to take this into account. .

Taken together, **Option A2 receives a net weighted score of +1.85**, which is an improvement over the Current Regulations (reference case).

4.4.6 Multi-criteria analysis scoring summary

For liquor licence applications, Table 6 shows that Option A1 with the MCA net score of +2.95 is preferred over Option A2 (+1.85).

In comparison to current fees, Option A1 will lead to lower application fees for lower risk applications, while applications for higher risk venues will increase. Linking fees to relative risk will enable greater price signalling towards lower risk operations, while not significantly increasing the burden on industry.

Option A1 remakes the regulations to reflect the Amendment Act with additional changes that modernise current systems, promote positive behaviours and reduce alcohol-related harm. Option A1 further supports the pricing principle that users should pay for differentiated service based on the value created by that differentiation.

Table 6: MCA scoring summary – Liquor licence application fees

Option A1 – Risk based application fees			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+6.0	+3.00
Responsible development and facilitation of a diverse industry	20%	+4.0	+0.80
Industry – minimise regulatory burden	20%	-3.0	-0.60
Government – administrative burden	10%	-2.5	-0.25
Total	100%		+ 2.95
Option A2 - Modernised liquor licence application process (licence application groupings)			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+4.0	+2.00
Responsible development and facilitation of a diverse industry	20%	+3.0	+0.60
Industry – minimise regulatory burden	20%	-3.5	-0.70
Government – administrative burden	10%	-0.5	-0.05
Total	100%		+ 1.85

4.4.7 Proposed Application Fees

The assessment above suggests that Option A1 is preferred. Given the reviewed levels of regulatory effort and licence groupings, the fee units shown in Table 7 should ensure that the costs to be recovered by government are done so in the most efficient and effective manner, consistent with the government’s pricing principles.⁴³ Broadly, changes in application fees will align to the relative risk of licence categories. The largest increases in application fees pertain to the higher risk categories, while moderate increases and decreases in application fees are applied to lower risk categories. Further, as size is a general risk factor, smaller venues or businesses are given a relatively lower fee compared with larger sized venues or businesses in the same category. The proposed application fee units³⁷ and the estimated total fees by application are detailed in [Attachment D13](#).

³⁷ The value of a fee unit is set each year by the Treasurer. From 1 July 2022 to 30 June 2023 the value of a fee unit will be \$15.29

Table 7: Option A1 – Proposed Licence Application Fees (Fee Units)

Application grouping	Risk level	Application Type	Option A1 - Prescribed number of fee units	Option A1 - Proposed fee amounts	Reference case - current fees	% Difference
Application to vary a licence	n/a	Producer promotion	10.00	\$152.90	\$118.30	29.2%
	n/a	Variation to licence	15.00	\$229.35	\$223.50	2.6%
Application for a limited licence or major event licence	n/a	Major event - multiple applicants	30.00	\$458.70	\$152.70	200.4%
	n/a	Major event - single applicant	200.00	\$3,058.00	\$1,018.30	200.3%
	n/a	Renewable limited licence	44.00	\$672.76	\$496.00	35.6%
	n/a	Temporary limited licence - existing licensee	15.00	\$229.35	\$118.30	93.9%
	n/a	Temporary limited licence - non-licensee	6.00	\$91.74	\$63.90	43.6%
	n/a	TLL charitable - non-licensee (charitable organisation)	0.00	\$0.00	n/a	n/a
Application for a new licence or BYO permit	Low	Pre -retail	20.00	\$305.80	\$496.00	-38.3%
	Low	Restricted club	15.00	\$229.35	\$496.00	-53.8%
	Middle	BYO permit	20.00	\$305.80	\$266.50	14.7%
	Middle	Full club large	50.00	\$764.50	\$496.00	54.1%
	Middle	Full Club medium	40.61	\$620.88	\$496.00	25.2%
	Middle	Full Club small	30.00	\$458.70	\$496.00	-7.5%
	Middle	Producer's large	30.00	\$458.70	\$496.00	-7.5%
	Middle	Producer's small	19.87	\$303.80	\$496.00	-38.8%
	Middle	Remote Seller's Large	75.00	\$1,146.75	\$496.00	131.2%
	Middle	Remote seller's small	40.00	\$611.60	\$496.00	23.3%
	Middle	Restaurant and café - large	60.00	\$917.40	\$496.00	85.0%
	Middle	Restaurant and Café - medium	44.00	\$672.76	\$496.00	35.6%
	Middle	Restaurant and café - small	30.00	\$458.70	\$496.00	-7.5%
	High	General Large	75.00	\$1,146.75	\$496.00	131.2%
	High	General Medium	44.00	\$672.76	\$496.00	35.6%
	High	General Small	40.00	\$611.60	\$496.00	23.3%
	High	LN General large	135.00	\$2,064.15	\$496.00	316.2%
	High	LN General medium	82.50	\$1,261.43	\$496.00	154.3%
	High	LN General small	75.00	\$1,146.75	\$496.00	131.2%
	High	On-premises large	49.98	\$764.16	\$496.00	54.1%
	High	On-premises medium	45.81	\$700.48	\$496.00	41.2%
	High	On-premises small	40.00	\$611.60	\$496.00	23.3%
	High	LN On-premises large	135.00	\$2,064.15	\$496.00	316.2%
	High	LN On-premises medium	82.50	\$1,261.43	\$496.00	154.3%
	High	LN On-premises small	75.00	\$1,146.75	\$496.00	131.2%
	Very high	Packaged LL small	100.00	\$1,529.00	\$496.00	208.3%
	Very high	Packaged LL large	165.00	\$2,522.85	\$496.00	408.6%
	Very high	LN Packaged LL small	330.00	\$5,045.70	\$496.00	917.3%
Very high	LN Packaged LL large	660.00	\$10,091.40	\$496.00	1934.6%	

4.5 Liquor licence renewal fees – Assessment of options

4.5.1 Problem statement

Renewal fees are required to be paid by 31 December (annually) by all licensees. The fees are intended to recover the costs of regulating the liquor industry and are structured to achieve the government's objective to recover costs and to impose fees that reflect the levels of risk posed by different types of licences and the broader risk of alcohol-related harm.

A review of research, arrangements in other jurisdictions and stakeholder feedback indicates that the current fee structure could be improved to better meet the policy intentions of government and the needs of the liquor industry. In addition, the current fees are not fully recovering the costs of administering and monitoring compliance of liquor licensees against regulatory obligations including any conditions of the liquor licence.

4.5.2 Other considerations

Why renewal fees are needed

After a person applies for and is granted a liquor licence, liquor licences are subsequently renewed annually.

Costs are incurred by government – namely, the Commission and Victoria Police – to administer licence renewals as well as manage the liquor licensing ([Attachment D4](#) summarises these activities/processes).

The Commission and Victoria Police directly contribute to reducing alcohol-related harm by means of such compliance and enforcement activities. As these activities occur on an ongoing basis, there is need for annual fees to offset (at least partially) these activities.

Whilst renewal fees are provided to general revenue, there is an importance that fees collected are better reflective of direct regulatory costs (whilst factoring in some regulatory activities are funded through general policing).

Table 8 provides the total estimated cost of administering fee renewals and managing the liquor licensing (compliance and enforcement) regime.

Table 8: Estimated costs for recovery through renewal fees

Renewal fees cost recovery summary	
Total fees received – 2019³⁸	\$24,550,042
Estimated Costs - recovery	
Liquor Control Victoria	\$10,500,000
Victoria Police	\$21,204,225
Estimated total - costs for recovery	\$31,704,225
Estimated % of costs recovered	77.4%

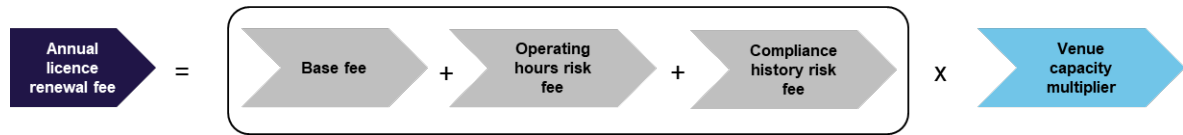
Current renewal fees model

The LCR Act requires a licensee pay a prescribed renewal fee in respect of the licence or permit.³⁹ The Regulations prescribe the details of the formula and risk elements for charging an annual renewal fee, along with the prescribed fee amounts for each licence category.

³⁸ The year 2019-2020 is chosen to remove the effects of COVID-19 and. These numbers do not include liquor licence to premises that provide sexually explicit entertainment (those are regulated directly under the LCR Act).

³⁹ Section 59 *Liquor Control Reform Act 1998*

The current liquor licence renewal fee structure is a differentiated risk model comprising a base fee for each licence category and additional fee components for identified risk factors: late opening hours, poor compliance history, and venue capacity.⁴⁰ [Attachment D15](#) provides further detail of the current model.



The fee structure seeks to reflect the costs to society that results from different licence types, provide incentives for licensees to adopt practices that reduce the level of risk, and address compliance history issues for a number of licensees.

The different levels of risk associated with licence types is tied to the different supply conditions of each licence. For example, a restaurant and café licence which supplies liquor for on-premises consumption with meals and a limited volume of packaged liquor with adult meals permitted for delivery and take away is considered less risky than a general licence (such as a pub) which supplies liquor for consumption on and off the premises with no volume controls and no meal requirements.

It should be highlighted that the fee element linked to compliance history is intended to reflect the expected change in regulatory effort needed under the risk-based enforcement approach and is not a penalty.

4.5.3 Issues were the Regulations to expire - Current renewal fees model

The LCR Act requires a licensee pay a prescribed renewal fee in respect of the licence or permit.⁴¹ The Current Regulations prescribe the details of the formula and risk elements for charging an annual renewal fee, along with the prescribed fee amounts for each licence category.

The current liquor licence renewal fee structure is a differentiated risk model comprising a base fee for each licence category and additional fee components for identified risk factors: late opening hours, poor compliance history, and venue capacity.⁴² The fee structure seeks to reflect the costs to society that results from different licence types, provide incentives for licensees to adopt practices that reduce the level of risk, and address compliance history issues for licensees.

The different levels of risk associated with licence types is tied to the different supply conditions of each licence. For example, a restaurant and café licence which supplies liquor for on-premises consumption with meals and a limited volume of packaged liquor with adult meals permitted for delivery and take away is considered less risky than a general licence (such as a pub) which supplies liquor for consumption on and off the premises with no volume controls and no meal requirements.

It should be highlighted that the fee element linked to compliance history is intended to reflect the expected change in regulatory effort needed under the risk-based enforcement approach and is not a penalty.

⁴⁰ [VCGLR Liquor Licensing Factsheet Liquor Licence Fees \(from 1 July 2021\), published June 2021](#)

⁴¹ Section 59 *Liquor Control Reform Act 1998*

⁴² [VCGLR Liquor Licensing Factsheet Liquor Licence Fees \(from 1 July 2021\), published June 2021](#)

4.5.4 Limitations of the current renewal fees model

As noted above, experience of the Commission and Victoria Police over the past decade and stakeholder feedback suggests that the current fee structure could be improved to better meet both the interests of the community and the needs of the liquor industry.

When the current fee structure was introduced in 2009, the RIS⁴³ noted that there were data limitations that affected the assessment of the level of risk posed by different licence groups. Since 2009, more comprehensive data has been collected and can be used to identify issues with the current structure and propose amendments.

[Attachment D8](#) details the analysis conducted on compliance data used to assess risk posed by different licence categories. The data suggests:

- The base fees are not reflective of risk-based regulatory effort. Some riskier licence types, which require more regulatory oversight, are not allocated the highest base fee and some less riskier licence types assumed to have a higher risk profile. By way of example, the risk level of pre-retail may not be as risky as previously assumed. The actual risk of harm from alcohol is captured in the subsequent retail sale of the alcohol, and corresponding assessed risk level of that licence. A further example is the current additional charge to the base fee for producers if they have a promotions variation on their licence. This represents an additional fee that is not linked to increased risk and might act as a penalty for smaller producers seeking to promote their product.
- The use of operating hours risk fee is successfully meeting its intent. The data suggests late night licences tend to be at a higher risk of non-compliance.
- The compliance history risk fee is not adequately reflecting relative risks and enforcement effort. The number of trigger offences detected is too small, and it only considers a history of non-compliance for the previous 12 months.
- External research and internal analysis of the compliance activities by the Commission, indicates that risk is positively correlated with venue size.⁴⁴
- The venue capacity risk factor is not meeting its intended function. In the current model, considering venue capacity as a multiplier means that all risk factors are exacerbated by the patron capacity (in addition to the limitations for venue capacity above). By applying venue capacity as a multiplier of other factors, the current model is based on the risk posed by a licensee's trading hours or compliance history being only as risky as the venue capacity, which is not supported by the evidence.
- Research suggests that other risk factors, in addition to venue size, may be relevant in assessing the impact of licensees. These include floor space (packaged liquor), licensed premises area (producers), location, density, online sales and the number of outlets.

4.5.5 Options for analysis

Two options have been analysed for renewal fees. These options modernise the liquor licence renewal fees model by adopting the proposed risk hierarchy and refined risk factors. These options are analysed against the reference case of the Current Regulations.⁴⁵ The

⁴³ Department of Justice Liquor Control Reform Regulations Regulatory Impact Statement, August 2009

⁴⁴ P. Miller, et al., 2021, *Size Does Matter An exploration of the relationship between licensed venue capacity and on-premise assaults*, Alcoholism: Clinical & Experimental Research.

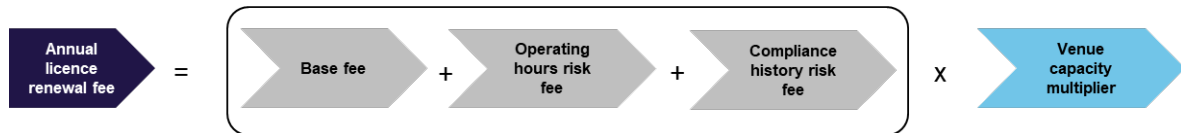
⁴⁵ The reasons for analysing against a reference case of the Current Regulations rather than no Regulations are discussed in chapter 3.

requirements of Victoria's [Pricing for Value guide](#)⁴⁶ have been considered in developing options.

The SL Act requires a RIS to consider other practicable means of achieving the objectives, including 'non-regulatory' options. Non-regulatory options such as education campaigns, industry-self regulation, and codes of conduct as stand-alone alternatives are not considered to be effective in achieving the government's harm minimisation objectives. They are, however, an effective complement to the legislative and regulatory framework. Information papers published by the Commission and discussions at local area forum meetings conducted by the Commission being examples of education mechanisms used to assist licensees to comply with their regulatory requirements. Further, liquor accords which are voluntary licensee groups formed to deliberate on conduct and business practices within a local area, are another means of licensees voluntarily implementing harm reduction measures that are not prescribed in regulations. Clarification on the operations of accords have been made recently in legislation. Although these measures contribute to enhanced compliance by licensees, they are seen as an addition to the regulatory framework and are not a viable alternative to current regulatory requirements. [Attachment C](#) contains further discussion on why these options are not considered practical.

Reference case (status quo)

The reference case remakes the regulations, maintains the current renewal fees model, but incorporates the changes required by the Amendment Act, notably a new base fee for a remote seller's Packaged Liquor Licence (PLL).



This option provides a differentiated risk-based model with minimal changes to the current renewal fees structure. However, this option is not recommended as it does not address the concerns with the current structure identified during consultation, particularly that the current system is inequitable, and that the range of risk factors involved are not adequate.

The reference case recovers approximately 74 per cent of total costs for regulating the industry. This recognises that the amount received for renewals excludes amounts received from liquor licence renewals that are no longer required under the Amendment Act. Table 9 provides a summary of reference case costs for recovery.

Table 9: Fees received through renewal fees – Reference case

Renewal fees -reference case fees for recovery	
Total fees received	\$24,550,042
Less reductions under Amendment Act ⁴⁷	-\$1,230,278
Total - Reference case fees for recovery	\$23,319,764
Estimated total - costs for recovery	\$31,704,225
Estimated % of costs recovered	73.5%

⁴⁶ Victorian Government, Department of Treasury and Finance, Pricing for value A guide for government services Pricing principles, July 2021

⁴⁷ The reference case applies 2019-20 FY amount received for renewals excluding \$1,230,278 received from liquor licence renewals that are no longer required under the Amendment Act.

Option B1: Streamlined risk-based renewal fee model

The formula for Option B1 is represented below.



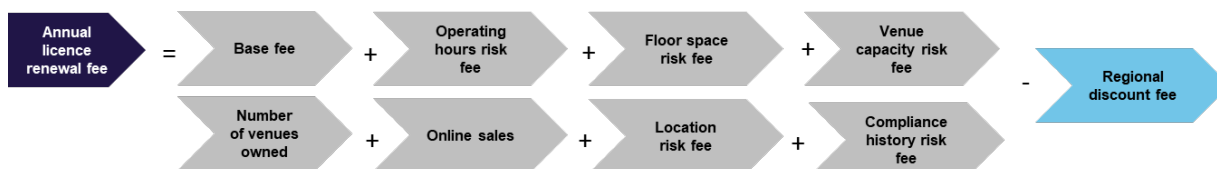
Option B1 retains the current risk factors but reconfigures them in the structure. A licensee's liquor licence fee is set as follows:

- licence categories attract a base fee determined on the risk hierarchy discussed above (i.e., very high, high, middle and low).
- the operating hours risk fee is applied to late-night (general), late-night (on-premises) and restaurant and café licences that trade after 1.00am.
- the floor space or licensed area risk fee is applied to packaged liquor licences (including remote seller's PLL where the licensed floor space refers to storage facility) with a retail floor space of greater than 750 sqm and to producers' licences that have a licensed premises area greater than 150 sqm.
- the venue capacity risk factor is applied as an addition, not a multiplier. The venue capacity risk fee is streamlined to only three categories (capacities of 0-100, 101-400 and 401+ patrons), with different fees for each category. This is simpler than the current venue capacity multiplier approach.
- the non-compliance risk fee is applied on a sliding scale for non-compliance incidents that have occurred in the previous three years.

Option B1 removes the current distinction between the base fee for a full club licence with and without gaming machines.⁴⁸ Additionally, the producers' promotional variation will no longer affect the annual base fee.

Option B2: Expanded risk-based renewal fee model

The formula for Option B2 is represented below.



Option two builds upon suggested changes to the fee structure in Option B1 and includes all potential risk factors identified above. This provides a comprehensive update of the current fee structure to allow it to charge a more nuanced renewal fee for licences reflective of a broader range of risk factors, including individual levels of risk (i.e., compliance history).

In addition to the changes proposed in Option B1, new elements of the alternative structure include:

- an additional fixed fee for all packaged liquor licences based on the number of premises owned by the licensee
- an additional fixed fee for any licence that supplies liquor online in accordance with their licence (except remote seller's PLL as that is its only supply activity authorised under the licence)

⁴⁸ [Attachment D8](#) includes that research has shown that there is no strong enough evidence to determine that gaming machine usage increases alcohol related harms at the licensed premises level.

- an additional fixed fee for licences in high-risk areas that are subject to the compliance history risk fee (definition of high-risk area is yet to be determined).
- a reduction in fees for licensees in regional areas (the method for the provision of such a discount is yet to be determined. Discount models for regional areas in other jurisdictions would be assessed as part of determining such a method).

Note on Cost Recovery

Both options recover approximately 84 per cent (\$26.5 million) of the total costs of regulating the sector (compliance and enforcement). As cost recovery is the same for both options, this has not been analysed under the criteria. In contrast, the reference case would recover 74 per cent of costs.

4.5.6 Analysis of options and impacts

Details of analysis of options against assessment criteria

The costs and benefits of the proposed options are considered relative to the reference case of the continued operation of the Current Regulations. MCA is used to determine the preferred option because of the difficulty involved in quantifying some of the costs and linking a specific proposal to an estimated reduction in harm. A positive score indicates an option is better than the reference case and a negative score indicates an option is inferior to the reference case.

Analysis assumptions

Options B1 and B2 collect the same amount of fee revenue; however, the amounts will differ slightly between licence categories. Scoring is based on the estimated costs incurred relative to the reference case (\$23.3 million) (refer Table 9 for further detail).

Option B1 - analysis of criteria

Option B1 remakes the Regulations and implements a significantly simplified renewal fees model to better reflect the level of risk for each licence category and reduce red tape. The simplified fee model incorporates stakeholder feedback and should represent an improvement over the current fee model.

Venue Multiplier

The current venue capacity multiplier of the total fee acts as a proxy risk fee. That is, the larger the venue capacity the higher the multiplier of the total fee. It is a complex model, which applies to Late Night (General and On-Premise licences), but also to General, On-Premise (trading within ordinary trading hours), Restaurant and Café, and Full Pub licences if the compliance history risk fee is applicable to those licences. Further, there are currently 13 categories of venue capacity, by far the most of any jurisdiction in Australia.

Option B1 presents a fee structure that better promotes risk-based licensing and the responsible development of the liquor industry, which is an improvement over the current arrangements. The fee model continues to reflect relative levels of risk associated with supply activities from different licence types and provide for differentiation based on such activities. Appropriate price signalling (through fee differentiation) can drive diverse industry development by encouraging more entrants into lower risk operations. **A score of +3 is assigned to the criterion of responsible development and facilitation of a diverse industry.**

Option B1 also streamlines the fee model providing for the setting of fees relative to the public resources consumed to monitor and enforce the regulations. Whilst fees remain, licences that require less regulatory effort for monitoring and compliance will incur lower fees. Overall, fees set for compliance and enforcement recover approximately 84 per cent of total costs of regulating the sector (\$26.5 million). This equates to approximately \$3.1 million (nine per cent) more than the reference case (\$23.3 million). **A score of -2.0 is assigned to the criterion for minimising regulatory burden for industry.**

Government processes will require some administrative changes to procedures, and delivery of awareness campaigns to communicate changes to industry. Such activities form part of standard operations as outlined in Attachment D4. Any costs are assumed to be addressed as part of annual budgets recovered by liquor licence fees set for compliance and monitoring of the industry. However, it is recognised that in undertaking such administrative changes the opportunity to allocate resources to other tasks is removed. Therefore, **a score of -0.5 is assigned to criterion of administrative burden for government.**

It will streamline the base fees according to risk; remove the venue capacity multiplier, which was considered a blunt measure of risk; and will have a greater regard for compliance history (i.e., poor performers will pay higher fees – this will recover the additional compliance resources used to monitor and enforce the requirements for such licensees and will also provide incentive for these licensees to improve their compliance in order to reduce fees paid, which will reduce harm). Consequently, **a score of +5 is assigned to the harm reduction criterion.**

Option B1 – case study examples

A late night (general) licence for a hotel trading to 3am with a capacity of 1500. Currently (in the reference case), the licensee pays a middle level base fee plus an operating hours risk fee for trading until 3am; and is subject to the highest venue capacity multiplier of 4 applied to all fees. Under Option B1, the licensee would pay the highest level (therefore, an increased) base fee. It would continue to pay an operating hours risk fee for operating until 3am and pay a venue capacity set fee, rather than have a venue capacity multiplier applied to all fees.

A packaged liquor licence for store operating ordinary packaged liquor trading hours with a floor space of over 900sqm. Currently (in the reference case), a licensee pays the highest-level base fee with no additions. Under Option B1, it would continue to pay the highest level of base fee but would also be subject to the new floor space risk fee, resulting in an increased total fee.

Taken together, **Option B1 receives a net weighted score of +2.65**, suggesting that the proposed fee model is a significant improvement over the current arrangements.

Option B2 - analysis of criteria

To compare the options, an MCA assessment was also undertaken of Option B2. Option B2 has additional risk components in the fee structure to capture risks in a more nuanced way.

Other jurisdictions include the number of packaged liquor premises a licensee operates as a risk factor. It is not clear why owning multi premises increases risks, or at least does not capture risks from the other components. Higher fees for liquor licences in 'high risk' areas are also charged in some jurisdictions.

Currently, there is no clear evidence to suggest that charging an additional fee for a venue being located in a high-risk area would reduce risks (although there may be a case on cost recovery grounds). Until there is further evidence, risk assigned to a licensed premise is a more targeted approach than defining it by geographic area. Given that it is not clear that these additional risk factors would be an improvement over Option B1, **a score of +5.5 (compared to Option B1 of +5) is assigned to the harm reduction criterion.**

In terms of industry development, Option B2 shares many common features with Option B1 and also represents an improvement over the current arrangement. However, the additional risk factors could discourage licence applications in certain areas (notably areas with a vibrant nightlife) and would impose an economic distortion on a sector of the industry based on ownership structure. Consequently, **a score of +1.5 is assigned to the criterion of responsible development and facilitation of a diverse industry.**

While Option B2 presents a more complex fee model than Option B1 (eight risk elements compared to five risk elements under Option B1), the model also recovers approximately 84 per cent of total costs of regulating the sector (or \$26.5 million), which equates to approximately \$4.3 million (nine per cent) more than the reference case (\$22.3 million).

Licences that require less regulatory effort for monitoring and compliance will also incur lower fees (similar to Option B1). However, it can be anticipated that licensees will require marginally more time to become familiar with the fee charging model and understanding the revised fee charges applicable to their specific licence(s). Consequently, **an overall score of -3 is assigned for minimising regulatory burden for industry.**

Similarly, Option B2 would be more costly and complex for government to administer (e.g., high risk zones are currently not defined). Accordingly, **a small negative score of -1 is assigned to the criterion of administrative burden for government.**

The assessment of **Option B2 results in a net weighted score of +2.35**. The fee structure of this option is an improvement over the current arrangements; however, its complexity and additional costs result in the fee structure in Option B1 being preferred over Option B2.

4.5.7 Multi-criteria analysis scoring summary

The costs and benefits of the proposed options are considered relative to the reference case. MCA is used to determine the preferred option because of the difficulty involved in quantifying some of the costs and linking a specific proposal to an estimated reduction in harm.

The preferred option is Option B1 with the MCA score of +2.65. This structure is preferred as it better reflects the level of risk for each licence category (compared with the reference case), and significantly simplifies the structure while reducing red tape (compared with Option B2, which scored **+2.35**).

Option B1 remakes the Regulations to reflect the Amendment Act with additional changes that promote positive behaviours and reduce alcohol-related harm. It represents a moderate

change to the current arrangements. Option B1 further supports the pricing principle that users should pay for differentiated service based on the value created by that differentiation.

Table 10: MCA scoring summary – Liquor licence renewal fees

Option B1: Simplified renewal fees model and red tape reductions.			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+5.0	+2.50
Responsible development and facilitation of a diverse industry	20%	+3.0	+0.60
Industry – minimise regulatory burden	20%	-2.0	-0.40
Government – administrative burden	10%	-0.5	-0.05
Total	100%		+ 2.65
Option B2: Remake the regulations, implementing a comprehensive update of the current fee structure and the number of all risk factors			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+5.5	+2.75
Responsible development and facilitation of a diverse industry	20%	+1.5	+0.30
Industry – minimise regulatory burden	20%	-3.0	-0.60
Government – administrative burden	10%	-1.0	-0.10
Total	100%		+2.35

4.5.8 Proposed Renewal Fees

The analysis above shows Option B1 is the preferred option. Table 11 outlines the proposed fees. Table 12 compares the proposed fees to current fees.

Table 11: Option B1 – Proposed liquor licence renewal fees

Base fees			Risk factor fees		
Licence category	Prescribed units	Renewal fee	Operating hours risk fee	Prescribed units	Renewal fee
Pre-retail	11.34	\$173.41	Restaurant & Café - after 1am	206.27	\$3,153.90
Restricted club	11.34	\$173.41	General - to 3am	455.20	\$6,960.00
Full club	22.68	\$346.82	On-premises - to 3am	455.20	\$6,960.00
BYO permit	22.68	\$346.82	Packaged - non standard hours	673.64	\$10,300.00
Limited	22.68	\$346.82	General - post 3am	871.48	\$13,325.00
Producer's	22.68	\$346.82	On-premises - post 3am	871.48	\$13,325.00
Restaurant & café	22.68	\$346.82	Compliance history risk fee		
Packaged liquor (remote seller's)	22.68	\$346.82	Compliance history risk factor (1-2) - 12 mths	750.12	\$11,469.39
General	76.87	\$1,175.35	Compliance history risk factor (3+) - 12 mths	1500.25	\$22,938.78
On-premises	76.87	\$1,175.35	Compliance history risk factor - 13 - 36 mths	375.06	\$5,734.70
Late night (general)	76.87	\$1,175.35	Floor space risk fee		
Late night (on-premises)	76.87	\$1,175.35	Packaged liquor > 750m ²	630.10	\$9,634.30
Packaged liquor	153.74	\$2,350.70	Producer > 150m ²	26.53	\$405.65
Late night (packaged liquor)	153.74	\$2,350.70	Venue capacity risk fee		
			101-400	71.08	\$1,086.82
			401+	160.89	\$2,459.98

Table 12: Comparison of Option B1 proposed licence renewal fees to current fees

Licence renewal category	Proposed fees (\$)* (2022-23)	Current fees (\$) (2022-23)	Fee movement \$ amount	Percentage Change (%)
Base Fees				
Pre-retail	\$173.41	\$1,039.90	-\$866.49	-83.3%
Restricted club	\$173.41	\$256.00	-\$82.59	-32.3%
BYO permit	\$346.82	\$256.00	\$90.82	35.5%
Full club with or without gaming	\$346.82	\$511.80	-\$164.98	-32.2%
Renewable limited	\$346.82	\$256.00	\$90.82	35.5%
Producer's	\$346.82	\$256.00	\$90.82	35.5%
Restaurant and cafe	\$346.82	\$256.00	\$90.82	35.5%
Packaged liquor – remote seller's licence	\$346.82	New	New	
General	\$1,175.35	\$1,039.90	\$135.45	13.0%
On-premises	\$1,175.35	\$1,039.90	\$135.45	13.0%
Late night (general)	\$1,175.35	\$1,039.90	\$135.45	13.0%
Late night (on-premises)	\$1,175.35	\$1,039.90	\$135.45	13.0%
Packaged liquor – standard trading hours	\$2,350.70	\$2,079.60	\$271.10	13.0%
Packaged liquor – non-standard hours	\$2,350.70	\$2,079.60	\$271.10	13.0%
Risk factor fees**				
Operating hours risk fees***		For comparison only***		
Restaurant and café – after 1.00am	\$3,153.90	n.a.	–	–
General – 1am to 3.00am	\$6,960.00	\$4,159.30	–	–
On-premises – 1am to 3.00am	\$6,960.00	\$4,159.30	–	–
Packaged – non-standard hours	\$10,300.00	\$6,289.90	–	–
General – post 3.00am	\$13,325.00	\$8,318.50	–	–
On-premises – post 3.00am	\$13,325.00	\$8,318.50	–	–
Compliance history risk fee***				
Compliance history risk factor (1-2) – 12 months	\$11,469.39	\$4,159.30	–	–
Compliance history risk factor (3+) – 12 months	\$22,938.78	\$0.00	–	–
Compliance history risk factor – 13 – 36 months	\$5,734.70	New	–	–
Floor Space risk factor				
Packaged liquor > 750m ²	\$9,634.30	New	–	–
Producer > 150m ²	\$405.65	New	–	–
Venue capacity risk fee***				
101-400	\$1,086.82	n.a.	–	–
400+	\$2,459.98	n.a.	–	–

*Under the *Monetary Unit Act 2004* fee amounts may be rounded to the nearest 10 cents. ** Note a new floor space risk factor in the proposed fee model. *** The proposed fees' model for risk factors is simplified and not strictly comparable with the current fee structure. From 1 July 2022 the prescribed fee unit is \$15.29.

4.6 Summary of fees

As discussed above, cost recovery is an important objective under this RIS. Applying the preferred options for applications and renewal fees plus allocating one per cent of total costs to a different fund achieves a significant improvement in the level of cost recovery for the direct costs of liquor regulation. This is summarised in the Table 13 below. It should be noted that options A1 and B1 are highly integrated in terms of licence fee structure and relative risk levels; licence category risk levels are aligned and consistent between Options A1 and B1. Thus, these options are considered as a package rather than individually.

Table 13: Summary of total costs recovered under reference case and options

	Criteria	Reference case	Option A1	Option A2
Applications	Revenue collected	\$2,712,551	\$4,036,150	\$4,693,044
	Costs for recovery	\$4,731,000	\$4,731,000	\$4,731,000
	Gain/loss	-\$2,018,449	-\$694,850	-\$37,956
	% amount recovered	57.34%	85.31%	99.20%
	Criteria	Reference Case	Option B1	Option B2
Renewals	Revenue collected	\$23,319,764	\$26,518,341	\$26,518,341
	Costs for recovery	\$31,704,225	\$31,704,225	\$31,704,225
	Gain/loss	-\$8,384,461	-\$5,185,884	-\$5,185,884
	% amount recovered	73.55%	83.64%	83.64%
Other – LCR Act (prescribed fees one per cent of costs)	Revenue collected	\$519,162	\$500,000	\$500,000
	Costs for recovery	\$500,000	\$500,000	\$500,000
	Gain/loss	-\$19,162	\$0	\$0
Total gain/loss		-\$10,422,072	-\$5,880,734	-\$5,223,840
% amount recovered	100% target	71.89%	84.07%	85.86%

The preferred options (option A1 and B1) are expected to:

- recover approximately \$4.04 million annually through proposed application fees. Option A1 however, imposes additional financial and administrative costs on industry annually of **\$5.36 million**, and a PV of near \$43.5 million over 10 years, discounting at 4 per cent.⁴⁹ This amount consists of the **\$4.04 million** in recovery of costs through fees (financial costs) and **\$1.32 million** in incurred costs annually for objections (administrative costs)
- recover approximately **\$26.5 million** annually through proposed renewal fees, and around **\$197.2 million** (PV) over a 10-year period, discounted at 4 per cent. This equates to approximately \$3.2 million more than that for the reference case (\$23.3 million annually, and around \$173.39 million (PV) over a 10-year period).

As per the Pricing principles there is a need to balance full recovery of costs against other pricing principles. The need to address the capacity to pay by small business and the need to keep the fee models easy to understand and implement means that full cost recovery as a single principle is not achieved.

[Attachment D9](#), and [Attachment D13](#) present in table form the proposed fee allocations under the reference case and Option A1 for applications.

[Attachment D16](#) and [Attachment D17](#) present in table form the proposed fee allocations under the reference case and Option B1 for renewal of fees.

⁴⁹ Department of Jobs, Precincts and Regions [Guidance on Discount Rates](#) (page 2) - A four per cent discount rate for the provision of goods and services in traditional core public service delivery areas where the benefits are not easily quantifiable in monetary terms (e.g. education, public health and justice).

5. Security camera prescribed standards – Assessment of options

5.1 Purpose of the chapter

Since the Current Regulations were introduced, there has been a rapid level of development in security camera technology. This chapter assesses the prescribed standards of security cameras for premises and examines whether the regulations are still fit for purpose. [Attachment E1](#) provides a summary of the current prescribed standards for security cameras.

It is important to recognise that security cameras are regulated by a number of regulatory instruments. The LCR Act establishes a power for the Commission to place a condition on a licence that requires the licensee to fit security cameras that comply with minimum standards as prescribed in regulations.

5.2 Problem statement

5.2.1 Issues were the regulations to expire – Security camera requirements

The LCR Act allows the Commission to impose a condition on a licence to fit security cameras of a prescribed standard.⁵⁰ The regulations may also prescribe the testing of the security cameras to ensure they comply with any of the prescribed standards.

The prescribed standards were introduced in 2006 as part of a range of measures to address anti-social and violent behaviour in and around licensed premises. The regulations are intended to ensure that ‘investigations into serious offences in or around licensed premises are not hampered by substandard image quality’.⁵¹

If the Current Regulations were not remade, the Commission could still impose a licence condition requiring a licensee to fit security cameras, but:

- there would be no prescribed standards for the minimum frame rate for security cameras and video recorders, and
- there would be no prescribed standards for the quality of stored images.

The licence conditions attached to a licence by the Commission may still require a licensee to:

- install and maintain a security camera system able to clearly identify⁵² individuals covering entrances, exits, bars and entertainment/dance floor areas
- ensure the position of the cameras is to the satisfaction of the licensing inspector
- ensure that images display the time and date
- operate the security camera system from 30 minutes before the start of the entertainment being provided until 30 minutes after closure.
- provide recordings to Victoria Police and the Commission upon request, and
- retain recordings for at least one month.

⁵⁰ Section 18B (a) *Liquor Control Reform Act 1998*

⁵¹ Second reading speech accessed at: hansard.parliament.vic.gov.au

⁵² A higher frame rate assists to ‘clearly identify’ individuals but there are other factors such as recording resolution and the capability to operate in varying light conditions such that events and persons captured by the surveillance system are clearly discernible.

If there were no minimum standards for security cameras it would mean that new licensees subject to this condition could install sub-standard security camera systems. A sub-standard system would comply with their licence condition but would not provide the quality of images required to assist police or a licensing inspector in their investigations or prosecutions. This could seriously undermine the objectives of this regulation.

Due to the rapid technological change in security camera systems, it is proposed that the prescribed standards be updated to improve the efficiency and effectiveness of the regulatory requirements for security cameras.

5.2.2 Further considerations - Security camera requirements

It is recognised that CCTV footage helps police to identify offenders, verify witness statements and identify potential witnesses to incidents, and generally improves justice outcomes for victims of violence or crime. Security cameras can be particularly useful in licensed premises to maximise 'passive surveillance'. Security cameras have three main applications in a licensed premise setting; these are:

- Crime deterrence – use of security cameras as a criminal deterrent is most likely to succeed as part of a broader crime reduction strategy with active monitoring and where police can respond quickly to a developing incident.⁵³
- Criminal prosecution – the most effective application of security cameras is as a forensic tool to identify the offender in a crime or to eliminate suspects. For it to be effective in a criminal prosecution, images must be of a sufficiently high quality.
- Enhancing community safety – the visible presence of security cameras can enhance perceptions of safety within the community, which is constructive in developing public confidence.⁵⁴

There are numerous studies that demonstrate the effectiveness of security cameras in solving crime. A recent study in the UK looking at crimes on the railway network over a five year-period found that CCTV was useful in two thirds of cases where it was available. Useful footage in this instance resulted in the cases being significantly more likely to be solved.⁵⁵ A recent study on the impact of CCTV on the clearance rates of crimes committed on the New South Wales rail network also found that timely access to CCTV footage for criminal investigations is associated with increased clearance rates for crimes on the rail network.⁵⁶

The Australia New Zealand Policing Advisory Agency (ANZPAA) publishes a guidance document called the *Australia and New Zealand Police Recommendations for CCTV Systems*.⁵⁷ This guidance document provides information on how and when CCTV systems are likely to be used by police. This document states that 'a CCTV system becomes a powerful investigative tool for police when the recordings clearly depict events with sufficient detail to identify the person(s)'.⁵⁸ This demonstrates the importance of updating minimum standards for security cameras as technologies improve and costs make these systems affordable. (It is worth noting that this guidance document

⁵³ Piza, E.L., Welsh, B.C., Farrington, D.P., Thomas, A. L., 2019, 'CCTV surveillance for crime prevention: A 40-year systematic review with meta-analysis', *Criminology and Public Policy*, 18(1): 135-159: Full article available at: <http://dx.doi.org/10.1111/1745-9133.12419>. The findings show that CCTV is associated with a significant to modest decrease in crime.

⁵⁴ Victorian Commission for Gambling and Liquor Regulation, 2017, *Design Guidelines for Licensed Venues*, Department of Justice, State of Victoria, p, 10

⁵⁵ Ashby MPJ 2017. The value of CCTV surveillance cameras as an investigative tool: An empirical analysis. *European Journal of Criminal Policy and Research* 23(3): 441–459

⁵⁶ Dowling, C; Morgan, A Does CCTV help police solve crime? Trends and Issues in crime and criminal justice, Australian Government https://www.aic.gov.au/sites/default/files/2020-05/ti576_does_cctv_help_police_solve_crime.pdf accessed on 24.08.2020

⁵⁷ ANZPAA, [Australia and New Zealand Police Recommendations for CCTV Systems](#)

⁵⁸ Ibid page 2

is currently being reviewed and is likely to incorporate revisions in line with technological developments).

Consultation with Victoria Police confirms that digital CCTV systems have advanced a long way since the 2009 Regulations. Cameras have higher resolution and work well day and night and are much cheaper to purchase and with wireless technology are widely available, cheaper to install and maintain. With the higher resolution comes a requirement to have greater storage. Digital storage has also advanced with the cost of hard drives falling significantly and now with solid state drives (a computer storage device without heads or spinning disks) becoming the industry norm. Most systems no longer use CDs, relying on removable media such as USB drives which are also cheap to purchase'. Video cassette tape technologies (analogue) have become obsolete.

During the consultation to assist in the preparation of this RIS, the Foundation for Alcohol Research and Education (FARE) commented that they supported Victoria Police's observations, noting that 'in light of developments in camera and storage technologies, and the marked reduction in cost that has occurred in recent years, the quality required by the Regulations could be increased at very limited cost to industry'

5.2.3 Jurisdictional comparisons- Security camera requirements

It is instructive to compare the current prescribed standards in Victoria against the guidance document and against standards in other states and territories. Queensland, the Australian Capital Territory and Tasmania all prescribe a minimum of six frames per second. The other states require a higher frame rate; the Northern Territory 8 frames per second, New South Wales 10 frames per second and South Australia a much higher 25 frames per second.

Consultation with the state liquor unit of Victoria Police supports a higher frame rate being prescribed to a minimum of 8 frames per second in line with the published guidance for CCTV systems.⁵⁹ It is recommended that the regulations require a minimum frame rate of 8 frames per second. It is noted that this is consistent with Northern Territory and largely consistent with New South Wales which has recently updated its standards.

All states and territories have standards for security cameras either prescribed in regulations or elsewhere (for example in codes of conduct). However, it should be noted that some of these regulations are also due to be reviewed in the near future and could be updated as a result.

[Attachment E2](#) provides this comparison which highlights that there are some updates that are required to ensure that the regulations continue to meet their objective of assisting Victoria Police in investigations and prosecutions of criminal offences committed on licensed premises.

⁵⁹ Victoria Police supports a higher frame rate being prescribed to a minimum of 8 frames per second in line with page 4 paragraph 5 of ANZPAA, *Australian and New Zealand Police Recommendations for CCTV Systems*, p. 4: https://www.anzpaa.org.au/publications/general#cctv_systems

5.3 Options

5.3.1 Options for analysis

Reference case: The Current Regulations prescribe a rate of image capture at 5 frames per second and allows digital and video cassette recorder (analogue) storage.

Option C1: 8 frames per second and digital recording and storage. This option modernises the current prescribed standards in line with technological developments as follows:

- the minimum frame rate is 8 frames per second (increased from 5 frames per second)
- all recordings must be digital (reference to a video cassette recorder is removed)
- all still images exported from a video recorder be of adequate quality and detail to enable 'identification' of a person (rather than 'recognition'). Video recorder means a digital video recorder.

Option C2: 8 frames per second, digital recording and storage, and additional cameras.

In addition to the changes under Option C1, Option C2 would specify where security cameras must be fitted on a licensed premises. Currently, a licensing inspector can require security cameras be fitted in certain locations on a licensed premise as a condition of the licence – this is done on a case-by-case basis. This option would specify in the regulations themselves (rather than as a licence condition) the locations that cameras must be fitted, including in carparks or laneways (as appropriate).

For the purposes of analysis, it is assumed that four additional cameras on average per venue would be required to satisfy the requirements under this option, for example, coverage of car parks and laneways.⁶⁰ As per the reference case, the position of the cameras would be to the satisfaction of the licensing inspector.

The SL Act requires a RIS to consider other practicable means of achieving the objectives, including 'non-regulatory' options. Non-regulatory options such as education campaigns, industry-self regulation, and codes of conduct as stand-alone alternatives are not considered to be effective in achieving the government's harm minimisation objectives. Specifically for security cameras, while there might be a high level of use under non-regulatory options, it is unlikely to be as high for regulatory options. It is important that all venues that, in the Commission's view, require security cameras actually have cameras. [Attachment E2](#) contains further discussion on why these options are not considered practical.

5.4 Analysis of options and impacts

5.4.1 Costing of options

Every effort was made to assess the costs and benefits of the options. Incremental costs were calculated for Options C1 and C2.⁶¹ These costs are assessed immediately below. The benefits of these options proved difficult to assess. This is because the benefits are generally 'avoided costs' in terms of lower harms associated with licensed premises. Nevertheless, these are described below.

The Regulations impose a regulatory burden on licensees and impose costs on licensees through establishing and maintaining a security camera system that complies with the regulations. In addition to this, it is presumed these costs will continue for the life of the licence as the standards

⁶⁰ The conditions on a licence, rather than the regulations, determine how many cameras are required and their placement. However, for the purposes of assessment of this option, these conditions are assumed to be part of the regulations.

⁶¹ Given that the reference case maintains the current arrangements there are no incremental costs associated with the reference case.

for security cameras specified in the regulations evolve alongside technological advancements in this area. However, security camera systems also provide benefits to licensees. They can provide assistance in complying with liquor licensing obligations, identify problem patrons, and provide customers with a level of assurance and safety.

According to the Commission, in Victoria there are currently 647 licensed premises (or approximately three per cent of permanent licences issued) with a security camera condition on their licence.⁶²

- 73 per cent of these licences are late night (general) licences and late night (on-premises) licences
- 12 per cent are general licences
- 12 per cent are on-premises licences, and
- Three per cent are restaurants and cafes licences, full club licences, packaged liquor licences, and renewable limited licences.

Assuming that all existing licences that are subject to the security camera licence condition already have systems that comply with the regulations, the main cost will be incurred by licensees who currently operate older security camera systems who will be required to upgrade those systems.

The COVID-19 pandemic and resulting economic climate has resulted in significant impacts on licensees in Victoria. The government has introduced measures to counter financial hardship experienced by licensees and ensure the night-time economy in Victoria can recover. As noted above, the standards only apply to certain licences and the impact on economic recovery would be limited.

Option C1 – 8 frames per second and digital recording

The number of liquor licences in Victoria that have a condition requiring a security camera has remained stable over the past decade with an additional 20 licences (or variations to licences) being issued each year with a security camera condition.

Consultation with industry and the Commission suggests that security camera systems with video cassette tapes are no longer in use, and that systems using analogue recording systems are unlikely to still be in use – practically all security camera systems now record in a digital format.

Further, the cost of storing images has decreased dramatically. In the 2008 RIS it was estimated that video storage devices represented around 40 per cent of the total cost of a security camera system. With improvements in data storage, the current cost would be around five per cent of the cost of a security system. Likewise, the costs of cameras themselves have remained steady or have declined; however, over the past decade the technical specifications of cameras have increased significantly.

Industry consultation suggests that the cost of a security camera system for a licensed premise to be between \$6,000 and \$10,000, with installation costing an additional \$2,000. This provides a cost range of between \$8,000 and \$12,000. For the purposes of assessment, an average cost of \$10,000 per security camera system is applied. An industry contact suggests that security system warranties last around three years, and some owners may replace them then. However, it is unlikely that licensees would replace their security camera systems every three to five years, so a 10--year life span is assumed.

While stakeholders agreed that it was unlikely that licensees would still be using video cassette tape and/or analogue systems, it is conservatively assumed that five per cent, or around 33 licensees, will need to have their security camera systems updated. This updating would occur in

⁶² Liquor licence numbers and categories provided by the Commission, as at March 2022

the first year of the regulations; however, since digital security cameras on the market would all record at a rate of more than 8 frames per second then these are not considered to add to industry costs for new entrants (around 30 per annum).

It is estimated that the initial cost of upgrading non-compliant security camera systems would be a \$330,000 once-off replacement cost of non-compliant systems. It is assumed that there would be no change in ongoing costs. It should be stressed that it is likely that these estimates represent an upper bound of regulatory costs and the actual cost could be much lower.

For any new entrants, costs of installation would be the same as currently incurred under the reference case (based on the assumption that any current systems purchased meet proposed requirements). As such, no additional costs are estimated beyond the reference case for new entrants under Option C1.

Table 14: Option C1 – Cost of security camera (10-year period)

Cost description	Cost (\$)
Camera upgrades (once-off replacement of non-compliant systems), assumes 33 licences affected	330,000

Option C2 – 8 frames per second, digital recording and additional cameras

Option C2 is similar to Option C1 except that there are more cameras placed in a greater number of locations. Typical conditions on a licence would require that cameras be placed at all entrances and exits, and bars and entertainment/dance floor areas. These are located inside the licensed premise.

This option would require additional cameras (i.e., four extra cameras per licensed premise at \$500 per camera) in a broader range of areas such as car parks, lane ways, and other outdoor areas. Four additional cameras for 647 licences, along with 33 licensees upgrading their camera systems (as per Option C1) would result in incremental costs over a 10-year period of \$1.6 million for industry. This cost includes \$330,000 as calculated in Option C1 plus \$1.2 million for the additional cameras required for each licence.

Table 15: Option C2 – Cost of security camera (\$PV, 10-year period)

Cost description	Cost (\$)
Costs as per Option C1 (camera upgrades for 33 licences)	330,000
All licences requiring an additional 4 cameras – year 1	1,294,000
Total costs	\$1,624,000

5.4.2 Benefits of the preferred option

While the decision-criteria used to assess these options is the MCA (see below), to supplement this assessment it is worth discussing some of the benefits of security camera systems.

It is difficult to quantify the benefits associated with improved security camera systems in licensed premises. This is because many of the benefits arise from incidents or events that are prevented or avoided (avoided costs). For example, the presence of security cameras may deter some incidents from occurring. Avoided events, hypothetical in nature, cannot be readily quantified.

A primary benefit of security cameras is as an investigative tool. Offenders may be identified (or suspects cleared) and processed through the justice system. Subsequently, offenders may be prohibited from certain licensed venues, thereby avoiding similar incidents. Similarly, earlier detection of an offender may avoid future serial offences. Again, estimating the monetary costs of avoided incidents is extremely difficult.

As noted above, serious crimes can occur on licensed premises, including property damage, and assault. These crimes can impose large costs on the community. In this regard, the concept of a Value of a Statistical Life (VSL) and Quality Adjusted Life Years (QALYs) may be used to illustrate the scale of benefits. A VSL is a tool used in public policy to help assess regulatory proposals. A VSL is a hypothetical 'statistical' value of the life of a person. This value in Australia has been estimated to be \$5.1 million. Similarly, the value of a life-year has been estimated to be \$222,000.⁶³ For illustrative purposes, if the preferred option (costing \$330,000 over a 10-year period) avoids a single death over a 10-year period, then the benefits of the proposal would clearly outweigh its costs to industry alone (the government also incurs costs, but these are recovered through fees). In terms of serious injuries, if security cameras were able to avoid the loss of about two life years over a 10-year period, then the benefits would outweigh the costs. Further, benefits are also likely to arise if property damage is avoided (or detected early) resulting from detection by security cameras. Security cameras are also likely to significantly lower policing costs, where offender or victim identification can be readily made, thereby avoiding costly investigations.

5.4.3 Multi-criteria analysis of options

The proposed change brings Victoria in line with other Australian jurisdictions. It sets a minimum standard for venues that recognise there has been a rapid level of development in security camera technology. It will likely have a very minimal impact overall, as it is estimated that most of the 647 licensed venues already meet the standards.

Option C1 – Analysis of criteria

The main rationale for security cameras is to minimise harms (by deterring crimes, assisting investigations, and promoting patron confidence and feelings of safety). Increasing the technical standards of security cameras from 5 fps to 8 fps represents an improvement over the current arrangements. A clearer sequence of video images should promote the government's objectives of harm minimisation by improving investigations and crime clearance rates.

These benefits are extremely difficult to quantify because many factors contribute to identification of an offender aside from the fps rate. Noting most licenced venues already meet the fps standard, the contribution to further reducing alcohol related harms is considered as moderately positive and **a score of +2.5 is assigned to the harm minimisation criterion.**

The proposed changes are not viewed as prohibitive to current licensees remaining in the industry. Given the small number of licensees impacted under Option C1, it is assumed that enhancing patron safety through system upgrades to achieve 8 fps would be limited. However, improving security camera standards overall should improve patron confidence and feelings of safety. Accordingly, **a score of +1 is assigned to the criterion of responsible development and facilitation of a diverse industry.**

The proposed option is viewed as being of minimum cost to industry based on the small number of licenced venues requiring security camera upgrades. **A score of -1 is assigned to the criterion for minimising regulatory burden for industry,**

There will be a very small cost to government in producing updated information and inspecting cameras. Consequently, **a score of -1 is assigned to the criterion of administrative burden for government.**

Taken together, **Option C1 receives a net weighted score of +1.35**, which is an improvement over the Current Regulations (reference case).

⁶³ Australian Government, Office of Best Practice Regulation, 2021, *Best Practice Regulatory Guidance Note: Value of Statistical Life*, Canberra, p. 1

Option C2 - Analysis of criteria

Option C2 would require more cameras in additional locations to be installed (prescribed in the regulations rather than at the discretion of the Commission). Cameras installed in areas with coverage over areas such as carparks and laneways surrounding the licensed premise could, at the margin, provide additional images which could help to identify offenders and increase the chain of evidence. Option C2 would require additional cameras to be installed for all 647 licences. Consequently, **the harm minimisation criterion is assigned a score of +5** which is significantly higher than the score for Option C1.

This option would reduce flexibility for industry; replacing the current case-by-case approach with a one-size-fits-all approach, and installation of cameras where they are not effective. While cameras may instil a sense of confidence and safety for patrons, some licensees may choose to modify operating conditions to remove the requirement for security cameras which negatively impacts development of a diverse industry. Requirements already in place enable the focus to be placed on high-risk venues where conditions for security camera actually make a difference. Accordingly, **a score of -3 is assigned to the criterion of responsible development and facilitation of a diverse industry.**

Requiring additional cameras would be costly for a relatively small portion of the industry – those requiring security cameras to meet licence conditions. Option C2 would cost approximately five times that of Option C1 for those licensed venues requiring security cameras, with a disproportionate impact on lower risk venues a noted outcome.

The administrative burden for licensees in purchasing and maintaining a wider suite of cameras contributes to an increase in regulatory burden for all licences with security camera licence conditions. By way of Option C2 applying to all such licences, Option C2 results in a higher regulatory burden level for industry than Option C1. Consequently, **a score of -6 is assigned to the criterion for minimising regulatory burden for industry.**

It would cost government more to inspect, monitor and enforce additional cameras in new locations. Partially offsetting this, having greater security camera coverage more broadly would likely contribute to an increased positive outcome for the investigation of crime related to such venues. **An overall score of -1 is therefore assigned to the criterion of administrative burden for government.**

The MCA assessment for **Option C2 is a net weighted score of +0.4**, which is higher than the reference case, but is not superior to Option C1.

5.4.4 Multi-criteria analysis scoring summary

The costs and benefits of the proposed options are considered relative to the reference case of the continued operation of the Current Regulations. MCA is used to determine the preferred option because of the difficulty involved in quantifying many of the benefits associated with this proposal. A positive score indicates an option is superior to the reference case and a negative score indicates an option is inferior to the reference case. The options are also weighted according to their importance in the overall decision against the selected criteria (see chapter 3 for further detail on selection criteria). By definition, the reference case receives a net score of zero, reflecting the current regulatory arrangements (i.e., the status quo).

Table 16 shows Option C1 with a score of +1.35 is preferred to Option C2 and the reference case. Option C1 seeks to balance harm minimisation against minimising the regulatory burden on business. The increased frame rate from 5 fps to 8 fps is in line with the current ANZPAA's Recommendations for CCTV Systems⁶⁴, which recommends that camera systems should be at

⁶⁴ ANZPAA, 2014, *Australian and New Zealand Police Recommendations for CCTV Systems* [Under Review], Melbourne, p.4

least 8 fps. This specification is also broadly consistent with the current specifications in other Australian jurisdictions.

Further, stakeholder consultation revealed that licensed premises were no longer using video cassette tape or analogue technology, and therefore the cost estimates for Options C1 and C2 may significantly overestimate the actual costs of the proposal. Nevertheless, a conservative approach to these costings was adopted to ensure that any such industry costs are captured.

Option C1 is further viewed as a small improvement over the current arrangements. This is because the Proposed Regulations largely formalise what is currently taking place in the market. The prime benefit, therefore, is to ensure that older, less effective systems are removed from the market. While the Proposed Regulations increase the fps requirements, given technological developments this is a modest requirement. Newer cameras (e.g., 4G cameras) commonly capture 25 fps, which provides continuous motion. It should therefore be highlighted that the regulations prescribe a *minimum* standard of camera requirements – and licensees are free to install cameras that exceed these minimum specifications.

Table 16: MCA scoring summary – Assessment of options for security cameras

Option C1: 8 frames per second camera, and digital recording and storage			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+2.5	+1.25
Responsible development and facilitation of a diverse industry	20%	+2.0	+0.40
Industry – minimise regulatory burden	20%	-1.0	- 0.20
Government – administrative burden	10%	-1.0	- 0.10
Total	100%		+ 1.35
Option C2: 8 frames per second camera, digital recording and storage, and additional cameras			
Criteria	Weight	Assigned Score	Weighted Score
Harm minimisation	50%	+5.0	+2.50
Responsible development and facilitation of a diverse industry	20%	-3.0	-0.60
Industry – minimise regulatory burden	20%	-6.0	-1.20
Government – administrative burden	10%	-1.0	-0.10
Total	100%		+0.40

6. Proposed amendments – minor amendments

Proposed minor amendments considered to impose a low burden are discussed in this section. Most of these amendments are machinery in nature (give regulatory effect to other parts of the regulations and legislation), simplify or clarify the regulations (making them easier to comply with), and impose only a minor regulatory burden, if any.

While the Proposed Regulations largely remake the Current Regulations (aside from key changes noted in previous chapters). [Attachment F](#) provides a summary of these technical amendments, including the following:

Prescribed types of liquor – Mead (honey liquor)

This proposal would introduce an exemption for businesses selling mead as an ancillary function to their main business to hold a licence for the selling of mead, an alcoholic beverage made by fermenting honey with yeast, with a typical alcohol percentage of typically between eight to 20 per cent, stronger than beer but similar to wine.

It is proposed that mead, considered to be of a similar risk profile to the other current prescribed types of liquor, would generally be a form of alcohol that is complementary to the products sold as an ancillary function. For example, the current exemption for butchers limits sales to beer, wine or cider. This change will further reduce regulatory burden for butchers by expanding the types of liquor that may be supplied under the exemption.

'Information' and 'particulars' required in application

Some information requirements will be amended for licence application. While these are considered minor, they include:

- Regulation 10(1) prescribes that an applicant must indicate whether it is a large PLL application (as defined in the LCR Act).
- Regulation 10(1) prescribes that, if permitted under the licence category for which they are applying, an applicant must indicate whether they intend to supply liquor online. This requirement will not apply to an application for a remote seller's packaged liquor licence as by the nature of the licence online supply will occur.
- Regulation 13(1) also prescribes that if the licensee indicates that they are not an existing high-risk licence, whether the variation would make it a large PLL licence (a PLL with a floor space greater than 750sqm).
- Regulation 13(1) prescribes that if the variation a licensee is applying for will permit the supply of liquor online, as part of a change of licence category, that the licensee must indicate whether they intend to supply liquor online.
- Regulation 14 prescribes that an application to vary the size or perimeter of the licensed premises must also be accompanied by:

any one of—

(i) a copy of a permit issued under the Planning and Environment Act 1987 or, in the case of a vehicle, vessel or aircraft, a permit issued under any relevant planning law permitting the premises to which the application relates to be used as licensed premises in accordance with the authority of the relevant licence or BYO permit; or

(ii) other evidence that use of the premises as licensed premises in accordance with the authority of the relevant licence or BYO permit would not contravene the planning scheme that applies under the Planning and Environment Act 1987 or, in the case of a vehicle, vessel or aircraft, any relevant planning law; or

(iii) a copy of an application that has been made in accordance with the Planning and Environment Act 1987 or, in the case of a vehicle, vessel or aircraft, any relevant planning law for a permit, licence or other authority that, if granted, would permit the premises to be used as licensed premises in accordance with the authority of the relevant licence or BYO permit.

This will not apply to limited licences and pre-retail licences.

Other amendments

Regulations in relation to conducting a licensing poll will be removed from the Proposed Regulations. These provisions were removed from the LCR Act when it was amended in 2021.

Minor changes to update references, definitions and to improve the clarity of the regulations are contained throughout the Proposed Regulations.

7. Small business impact and competition assessments

7.1 Key characteristics of the preferred options

The preferred options in this RIS relate to proposed changes to application fees, renewal fees, and technical specifications for security cameras. As detailed in chapter 4, the preferred option for application fees (option A1) proposes to align the fees charged to the relative level of risk associated with different licence categories. For applicable licence types, option A1 also further delineates the level of risk based on operating hours (past 1am) and the size of the planned venue (patron capacity or area).

Option B1, which relates to proposed changes to annual renewal fees for existing licences, offers a more simplified renewal structure compared to the current model. Further, option B1 also aligns renewal fees with the risk factors included under option A1 as well as additional fee penalties for licences with a non-compliance history.

As detailed in chapter 5, the preferred option C1 relates to the introduction of a new minimum specification for security cameras at applicable venues. The proposed specifications for security cameras are a minimum of eight frames per second and digital recording capability. The changes recommended in this option only apply to a subset of licensees, as most are not required to have security cameras installed on the premises.

7.2 Small business impacts

The main areas of regulatory burden in the Proposed Regulations include the liquor licence application process and fees, liquor licence renewal fees and security camera requirements.

The fees are set on a risk basis with cost recovery as a subsidiary consideration and are similar to those in other jurisdictions. The general association of lower risk to smaller licensed enterprises is well-evidenced and the fees models for applications and renewals reflect that notion. The proposed fee levels do not impose disproportionate impacts on small business.

The licence application process (for new licences, variations to, or relocations of, current licences) imposes administrative costs on businesses. In terms of regulatory burden, the proposed licence application process is the same for large and small businesses. However, the fees will differ according to size of business recognising that small business has a lower capacity to pay than larger businesses. Lower application fees for smaller businesses also minimises barriers to entry by potential market entrants, which has a positive effect on the level of competition.

The security camera requirements impose a cost of around \$10,000 per system on businesses. Consultation with industry and the Commission suggests that security camera systems using analogue recording systems are unlikely to still be in use and that most systems currently installed will likely already meet this standard. Licensees with a condition on their licences to install a security camera system are regarded as high-risk businesses, and these tend to be larger businesses. For example, of the 647 licensees with security camera systems, 473 hold late night (general) or late night (on-premises) licences, whereas only nine restaurants and cafes are required to do so. This proposal does not disproportionately fall on small business.

While the capacity and capability of small businesses to understand the Regulations may differ to that of large businesses, this situation is unchanged from that of the status quo (the reference case). Application information that is provided by the Victorian Liquor Commission assists both small and large businesses. Information required for submission of an application will only substantially change for high-risk applications for large packaged liquor outlets. These businesses

do not tend to be small businesses, therefore the new requirements for applications are not considered to disproportionately affect applicants that are classified as small businesses.

For liquor licence renewals, the proposed base fees for renewals will be comparable to current fees (reference case) as determined by the licence type for renewal. Similar to the application processes, the capacity and capability of small businesses to understand the Regulations is unchanged from that of the status quo (the reference case).

Additional fees will be applicable for certain licence types such as large packaged liquor licences - including large remote seller packaged liquor licences which have a large storage capacity (which do not have a retail outlet), late-night trading operations, or high patron capacity venues. These additional fees account for the higher processing costs, increased compliance costs of enforcing licence stipulations, and heightened community risk associated with these licence types.

Generally, high risk/high complexity operations, such as large packaged liquor outlets, do not tend to be small businesses, therefore the new requirements are not considered to disproportionately affect applicants that are classified as small businesses.

7.3 Competition

Any regulatory proposal needs to be scrutinised carefully to assess whether it may have an adverse impact on the ability of firms or individuals to enter and participate in the market. As a matter of good public policy, it is a fundamental principle in Victoria that any new legislation (both primary and subordinate) will not restrict competition unless it can be demonstrated that:

- the benefits of the restriction outweigh the costs, and
- the objectives of the legislation can only be achieved by restricting competition.

The Proposed Regulations may restrict competition in several ways. They give effect to a licensing regime that imposes restrictions on businesses from entering the market. They also prescribe specifications on what products may be used (i.e., security cameras).

It is important to recognise that most of the restrictions on the market for alcohol are contained in the LCR Act itself, rather than the regulations. Notwithstanding that, the restrictions on the sale of alcohol to minimise harms are well established. The benefit of licensing application and renewal processes and fees being risk based is that they provide an equitable framework to help minimise harms associated with alcohol. This is because a business' size (patrons, floorspace or licensed area) is applied to recognise that generally for most types of licence, smaller businesses have a lower risk profile. The proposed relatively lower application fees for smaller businesses minimises barriers to entry by potential market entrants, therefore having a positive effect on the level of competition. This outcome is considered of greater benefit than any costs imposed on the market as a result of their application.

The Proposed Regulations relating to security cameras prescribe minimal technical standards. Security camera systems below these minimum standards will not be able to be used. As discussed in chapter 5, about three per cent of permanent licences (licensed premises with a higher risk for harm) contain a condition to install a camera. It is considered that a (small) restriction on the product available to be used is outweighed by the benefits associated with better identification of persons involved in incidents on licensed premises. In any case, costs of security camera systems have significantly declined over the past 10 years, while technical specifications have increased.

Application and renewal fees for liquor licences are set on a risk basis with a subsidiary aim of maximising cost-recovery. Cost-recovery is the recouping of the costs of government-provided or funded products, services or activities that, at least in part, provide private benefits to individuals, entities or groups, or reflect the costs imposed by their actions. Cost recovery is a method of

recovering all or some of the cost of particular activities undertaken by government agencies from individuals or businesses, based on the beneficiary pays⁶⁵ or impactor pays⁶⁶ principle. Therefore, the proposed fees in the Proposed Regulations are considered to promote market efficiencies by avoiding significant taxpayer subsidies to entities that obtain private benefits from a government service (i.e., processing and issuing liquor licences) and recognising that larger businesses generally have a greater risk and a greater capacity to pay.

Although small scale, the ability of butchers to sell mead is pro-competitive.

⁶⁵ Those who benefit from the provision of a particular good or service should pay for it (Productivity Commission, 2001, p. XXI).

⁶⁶ This is where impactors meet the full costs of their actions, based on the view that those who create the need for a service should incur these costs.

8. Implementation Plan

8.1 Introduction

The following questions form the basis for the implementation plan:

- what needs to be done?
- who will be doing it?
- when will it be done?
- who will monitor implementation (including identification and management of implementation risks)?

8.2 Stakeholder communications

Clear communication is required on the proposed changes to the Regulations, particularly to application fees for new licences, for variations of current licences (these include changes to licence conditions, to licensed premises, transfers of licences and relocation of a licensed premises) and for the annual renewals of licences.

Activities will include:

- Public consultation on RIS
 - Public consultation on this RIS closes at 5pm 26 May 2023. Submissions are invited on all aspects of the draft regulations and responses to these are made public on the Commission's website.
- Consideration of feedback and any follow up.
 - After the public consultation is complete submissions received are further considered before the Minister approves a final draft of the proposed regulations.
- Making of the Regulations
 - Regulations must be in place by 30 July 2023 when the Current Regulations sunset.
- Engagement with industry peak and sector peak bodies on changes
 - Peak industry and community bodies will be informed of proposed outcome from the RIS process in July 2023.
- Commission's communication of changes
 - Changes in the regulations will be communicated through a variety of means to industry and others by the Commission. This communication will be via the production of Frequently Asked Questions type material and explanatory notes published on the internet web (for potential new applicants). Current licence holders will be sent material directly as well.

8.3 Evaluation elements

The Regulations will be formally evaluated mid-term (between years four and five) and within 12 to 18 months before automatic sunset of the regulations. The evaluation will review the prescribed processes and requirements of the regulations in helping to meet the overall objectives of the LCR Act.

As part of the evaluation process, it will be important to examine data including, but not limited to:

- changing approaches or innovations adopted in other jurisdictions
- liquor licence application and renewals for analysis of trends in the modes of supply and of alcohol
- compliance data for assessment of risk-based fee models and other licence conditions in promoting positive behaviours and minimising alcohol-related harm

- the cost base for the regulatory activities which relate to prescribed fees
- outcome data from mechanisms obtaining stakeholder feedback.

DJCS will develop a timetable for regular data collection and evaluation where appropriate. The evaluation will be the responsibility of DJCS. It is likely that all data collection and analysis will be conducted by department officers.

8.4 Licence fees

Implementation includes as outlined above a stakeholder engagement process that commences with the publication of this RIS. As stated, fees are of particular interest and consideration of views are an integral part of the RIS consultation process with submissions closing on 26 May 2023. The fees component of the regulations will also be part of the proposed engagement with industry and other sector peak bodies and will be an important component of the provision of material produced by the Commission for dissemination to the sector and to the community.

Implementation of all aspects of the regulations including fees will be led by DJCS through the Gaming and Liquor and the Commission (LCV) divisions.

Applications for new licences and variations to current licences

Increased charges will be implemented as per the intention in the draft Regulations. Further, if a packaged liquor licensee is intending to extend its licensed premises area and reaches 750sqm or above, this will mean there is a requirement under the LCR Amendment Act that a Community Impact Assessment is to be completed.

Renewal Fees

It is proposed that changes be made to the model for calculating an individual licence's renewal fee. As per Chapter 4, there are two key components of this calculation the base fee for licence types - the characteristics of operation (size, hours) and compliance history (non-compliance incidents) reflecting a risk of that licence. This is a system that will need careful explanation, and this will be via several case studies or licence examples. This material will be prepared by the Commission.

8.5 Security Cameras

The proposed specifications for changes in security cameras refer to the requirement to have a minimum frame rate of 8 fps, and that all recordings must be digital. There will also be a requirement that *all* still images exported from a recorder will be of adequate quality and detail to enable *identification* of a person. The analysis of the changes is presented in Chapter 5 of this document.

Implementation includes:

- engagement through RIS process and consideration of feedback (in line with release)
- Commission to provide information to current licensees with camera conditions on their licence outlining the proposed changes to requirements – by July 2023.
- making of the Regulations – July 2023
- licensees with cameras as a current condition of their licence to upgrade their systems –by December 2023
- Licensees who have security camera conditions placed on their licence to ensure cameras that meet the proposed specifications – by December 2023
- provision of information and FAQs to all licensees about changes being made - from July 2023 to ongoing.

Implementation of these initiatives will be led by DJCS through the Gaming and Liquor and LCV divisions.

8.6 Prescribed liquor: allow butchers to sell mead

This change enables butchers to sell mead (an alcoholic drink made from honey) as part of their product offering without requiring a liquor licence (see Section 6D in the LCR Act).

Implementation includes:

- DJCS liaising with the Department of Jobs, Skills, Industry and Regions (DJSIR) to identify those regions for a targeted communication campaign to local trader associations (for example) – by July 2023
- web-based materials, and newsletters to be produced and provided to current producers as a primary point of contact for local butchers to communicate change.

The regulation change will be implemented at the same time the Regulations come into effect.

The Commission along with DJCS will monitor implementation. There are no perceived risks associated with implementing this change.

8.7 Minor Amendments

There are three different types of minor amendments outlined in [Chapter 6](#):

- i. there are extra information requirements for applications
- ii. there are minor changes to the particulars required for closure and evacuation notices
- iii. technical amendments are proposed for the objectives of the regulations and commencement.

Implementation includes:

Providing targeted communications led by the Commission in conjunction with DJCS (liquor and gaming) depending upon the amendments above. For example,

- Visit Victoria will be engaged to let local businesses know of the process change to the application for an exemption from the prohibition for a convenience store to hold a liquor licence if they meet certain requirements such as being located in a tourist area with inadequate supply arrangements.
- Emergency Victoria, a statutory authority within DJCS, will be informed of the changes to closure and evacuation notices - requirements for a fire safety officer to inspect a premises before the VLC revokes a closure/evacuation notice is a specified change relevant to venues affected by closures via a notice.

The technical changes will be implemented at the same time the Regulations come into effect. Communication will need to commence before then and the head institutions engaged with, commencing with publication of this document and will be monitored by DJCS through the Gaming and Liquor and the LCV divisions.

9. Evaluation strategy

9.1 Introduction

These are the principal Regulations under the LCR Act. They have a 10-year lifespan, as regulations automatically expire after 10 years in Victoria. The major proposed changes in these Regulations are in the fees and application information areas, and security camera requirements as outlined in this RIS and analysed in detail in Chapters 5 and 6. The Regulations will be subject to ongoing monitoring and feedback from key stakeholders as outlined below.

The objectives of evaluation are to ensure mechanisms are in place that will enable regulators to assess the efficiency and effectiveness of the Proposed Regulations and to identify whether additional improvements can be made over time. Evaluation aligns with the government's commitment to continuous improvement and better regulation.

Objectives of the Regulations

The Proposed Regulations aim to strengthen, clarify and build on existing requirements. Collectively, the Proposed Regulations and related activities are expected to support changes or reaffirm requirements that will promote and achieve public health objectives. For example, the combination of the new renewal fees model and the enhanced requirements for cameras are expected to result in regulatory enforcement that aligns these matters to a desire for an industry to operate responsibly. However, the Regulations need to be clear, unambiguous and mindful of the need to facilitate the development of innovation and diversity in the industry.

DJCS acknowledges that improved data collection will assist in the evaluation process and there is a need to identify data gaps and sources.

9.2 Monitoring and data sources for evaluation

Data sources will include the Commission, especially about compliance and enforcement activities. Data on spatial location of compliance and enforcement information will be compared with baseline data already obtained by DJCS. This data will be used to assess risk profiles as assumed and form the basis for the fees model. Other data sources utilised will be from Victoria Police, Crime Statistics Agency and qualitative data from key stakeholders.

Stakeholder engagement with principal representative bodies will take place regularly by DJCS. This data will largely be qualitative but will be of import given the coverage of the market from this entity, and further from other important representative bodies such as Community Clubs Victoria and the Restaurant and Catering Industry Association of Australia Inc.

Key local government areas (LGAs) with late night venues (such as in inner Melbourne) will be a data source for establishing contact with active venue owners with the possibility of attending local forums (a forum is a meeting of liquor industry representatives and interested community members who meet regularly) that are organised through the Commission. Forums exist in each of the four inner Melbourne LGAs that have a high concentration of late-night venues (Cities of Melbourne, Port Phillip, Stonnington and Yarra).

9.3 What will be evaluated

All of the principal Regulations will be evaluated. These include:

- prescribed substances for the purposes of defining them as liquor
- the minimum standards prescribed for security cameras

- information required for an application for the grant, variation, relocation or transfer of a licence of BYO permit including premises' details (including a depiction of the premises and its perimeters) and the right to occupy those premises. The premises need to be detailed in terms of location and area that is to be licensed. Particulars for applications that involve a transfer of a licence to a new licensee or a transfer to a new location.
- fees payable under the LCR Act including application and renewal fees and rights to waiver
- variations of licences and BYO permits such as: seeking to reduce authorised trading hours; (b) seeking to reduce the maximum capacity of a licensed premises; (c) a variation to the conditions imposed on a licence in relation to the provision of live music for entertainment in respect of the following matters— (i) crowd controllers; (ii) security cameras; (iii) the completion of approved responsible service of alcohol programs by staff.

9.4 Key questions guiding the evaluation

The key questions that will guide the evaluation will include, but are not limited to:

- Have the changes in each regulation been understood?
- Has it resulted in any change in behaviour (where appropriate)?
- Has it resulted in any impacts on the types of applications and licences (i.e., encouraging smaller or larger venues, etc)?
- Is the application information required in the regulations clear and does it meet applicants' expectations?
- Are there problems in the fee models for applications and renewals that need addressing?
- What barriers exist to implement the regulations? What has been done to address these?
- Has the Commission been able to implement the regulations easily?
- To what extent have changes in the camera specifications resulted in better enforcement outcomes?
- Are there any additional substances that should be prescribed?

10. Consultation

Consultation on the remaking of the regulations has been undertaken in three phases:

- in 2018, in preparation for the sunseting of the Liquor Control Reform Regulations 2009 (original sunset date was 4 November 2019)
- in 2020, to inform modelling for liquor licence fees review
- in 2021, on the Regulations more broadly; seeking views on the Current Regulations and feedback on what works well or needs improvement.

Stakeholder feedback from this consultation has been drawn upon in this RIS.

Consultation will be ongoing. This RIS is a public consultation document. Feedback on the RIS will be considered before the Regulations are made. Consultation will continue during implementation and evaluation of the Regulations.

10.1 Consultation in preparation for expiry of the Regulations

In September 2018, the then Minister for Consumer Affairs, Gaming and Liquor Regulation approved beginning consultation on the remaking of the regulations. To commence the review, a request for public submissions on the regulations was published on the Engage Victoria website.

The sunset review was limited in scope to only those matters that could be prescribed in the regulations at that time. In summary, matters that could be prescribed at the time included prescribed substances, prescribed liquor, standards for security cameras, particulars and information for applications, fees, prescribed variations, prescribed conditions for the attendance of minors at live music events, prescribed closure and evacuation notice requirements, licensing polls and prescribed barring order requirements. The LCR Act has since been amended enabling additional matters to be prescribed.

Stakeholder groups were also informed of the consultation and the option for making a submission through engagement of members of LCAC at that time. LCAC is established under section 5 of the LCR Act, and its remit is to provide advice to the Minister on alcohol-related policy and any other matters referred to it.

Themes drawn from the submissions were varied and centred on two principal considerations:

- how harms may be addressed and how fees may be used as a mechanism for reflecting that focus; and
- reducing unnecessary red tape was also proposed.

Since that period, the operation of the Current Regulations has continued via Extension Regulations in 2019 and Interim Regulations in 2020, 2021 and 2022 to enable the review of the LCR Act to be completed.

10.2 Liquor licence fees survey

Fees are an important component of the Regulations. In June 2020, a survey seeking feedback on the effectiveness of various components of the fees model as contained in the regulations was sent to LCAC members and other key industry, academic, and community group stakeholders who understand fees, such as the Commission and Community Clubs Victoria. The essence of the survey questions was about the intent of the fees model in the Regulations: that liquor licence fees reflect the relative levels of risk of different types of licences and achieve the objective of reducing alcohol related harm.

Stakeholder consultation found that only one industry stakeholder considered the risk-based fee structure was achieving its stated intent. All other stakeholders, including from within industry, government agencies, and public health bodies, had considerable concerns that the current risk-based fee structure was not meeting its stated intent. In general, the feedback highlighted that the current system is inequitable, and that the range of risk factors involved are not adequate.

All stakeholders agreed that a risk-based fee structure is a good policy idea, although most agreed that the current structure and design of the risk factors is not appropriate and that changes are needed to meet the intended purpose. For example, the compliance history risk fee is inequitable and risks from online alcohol orders are not considered. One community stakeholder contended that the current structure has 'resulted in worse harm minimisation outcomes.'

In general, industry feedback is that the risk factors currently used to calculate fees lead to inequitable outcomes as the risk model does not consider variation in risk across individual licensees, such as harm minimisation activities conducted on the premises. Other stakeholders, such as community and public health bodies, broadly support the current risk factors but believe that the fee structure should include a broader range of risk factors.

Overall, the current risk factors were not considered to encompass and assess all potential risk to harm from a licence. Stakeholders suggested additional risk factors such as: online sales, delivery, volume, and liquor licence density and location.

10.3 Liquor Control Advisory Council

In addition to engagement of members of the LCAC in 2019 and 2020, LCAC member comments on the proposed amendments more broadly were also sought as part of LCAC's 2021 meeting program.

As background, LCAC consists of a chair and members appointed by the Minister. Members are drawn from industry, academia, community and advocacy groups, and reflect a diverse range of skills, backgrounds and expertise. Members are appointed based on their understanding of alcohol and community issues and their understanding of health and public policy.

In 2021, DJCS sought comments of LCAC members on the Current Regulations ahead of the formal RIS consultation process via a series of questions:

1. What are your views about the Current Regulations?
2. What works well in the Current Regulations?
3. What needs improvement?
4. Are there any areas DJCS should focus on? Why?

Consultation with the LCAC highlighted a need for clear definitions and review of the fees-based licensing structure. LCAC member comments included that a liquor licence fee review was critical, that licences should be fit for purpose and that when reviewing how different jurisdictions charge fees it would be helpful to look at the different models.

Overall, comments received through consultation have informed the development of the RIS. DJCS has particularly focused on comments related to reducing alcohol related harm, providing clearer definitions and risk-based liquor licence fee structures.

Attachment A: Government response to impacts of COVID-19 on the industry

In response to the COVID-19 pandemic, the government has supported businesses by providing numerous programs with significant funding, relief by waiving liquor licence fees, and allowing existing liquor licensees to supply liquor for takeaway or delivery through temporary licences and by streamlining the applications for no fee.

To support the hospitality and live music industries the government provided numerous programs such as:

- the dedicated Licensed Hospitality Venue Fund
- the Melbourne City Recovery Fund
- the Night-time Economy Business Support Initiative
- targeted programs to support live music as part of the Victorian Events Support Package
- the Live Music Restart Package
- the Outdoor Eating and Entertainment Package.

It also provided support funding such as:

- establishing a \$156 million Business Continuity Fund to provide grants to businesses that remain impacted by capacity limits
- providing an additional \$70 million for the Licensed Hospitality Venue Fund 2021
- reinstating the Commercial Tenancy Relief Scheme and establishing the Landlord Hardship Fund, to provide rent relief to small and medium businesses and their landlords
- establishing a Small Business COVID Hardship Fund to provide support to businesses who have not been eligible for existing support funds.

In 2021, the government also provided relief by waiving liquor licence fees for 2020 and for eligible licensed premises in 2021 in recognition of the continued impact on industry of the pandemic.

In combination with the Commonwealth Government, further packages of support were provided through the Victorian Government:

- on 12 August 2021:
 - \$70 million to the Licensed Venue Hospitality Fund 2021
 - \$271 million to the Business Costs Assistance Program
 - \$41 million to the Small Business COVID Hardship Fund
- on 19 August 2021, as part of an additional \$807 million package, support included:
 - \$110 million for the Licensed Venue Hospitality Fund 2021
 - \$625 million for the Business Costs Assistance Program
 - \$72 million for the Small Business COVID Hardship Fund.
- on 4 September 2021, a further package of support included up to:
 - \$289 million for the Licensed Venue Hospitality Fund 2021
 - \$1.6 billion for the Business Costs Assistance Program
 - \$448 million for the Small Business COVID Hardship Fund.
- on 30 September 2021, a further package of support up to \$2.27 billion included:

- \$407.5 million for the Licensed Venue Hospitality Fund 2021
- \$1.26 billion for the Business Costs Assistance Program
- \$600 million for the Small Business COVID Hardship Fund.
- This is in addition to almost \$7 billion in direct economic support provided by the Victorian Government over the course of the pandemic, including more than \$500 million through the May/June 2021 restrictions period with \$461.2 million allocated for the Business Costs Assistance Program and Licensed Hospitality Venue Fund.

The Victorian Events Support Package has provided \$20 million of funding for targeted programs to support the live music industry.

Extra Funding for Live Music

Live music occurs often in licensed venues. It is estimated that since the start of the pandemic, the government has provided more than \$80 million in dedicated support for the music sector, including earlier programs of the Live Music Venue Support Program and Restart Package.

The Victorian Budget 2022-23 provides an additional \$2.9 million to establish and strengthen regional touring circuits for live music and expand revenue streams for local artists. In further support for live music, the Government is also offering music fans a 25 per cent rebate for ticket purchases over \$40 through the Victorian Entertainment Program.

In the Amendment Act, provisions were made for future states of emergency that would enable the Minister to authorise licensees to supply packaged liquor and provide the Commission with the power to vary conditions in groups of licences during a state of emergency. Further amendments were made for pandemic orders in the *Gambling and Liquor Legislation Amendment Act 2022*. The new definitions of emergency area, pandemic declaration, pandemic management area and state of emergency reflect changes to the *Public Health and Wellbeing Act 2008* which impacted upon existing state of emergency provisions in the LCR Act.

Attachment B: Impact analysis of the Base Case, by parts of the LCR Interim Regulations 2022

Table B1 summarises the impacts on harm and industry burden if there were no regulations. The impact is classified according to three categories: nil or minor impacts, moderate impacts, and significant impacts resulting in failure of the regulatory framework to adequately manage harm and industry burden.

Table B1: Impact analysis of the Base Case, by parts of the Liquor Control Reform Interim Regulations 2022

Liquor Control Reform Interim Regulations 2022	Impact of having no regulations on the liquor regulatory framework
<p>Part 1 – Preliminary Includes objectives, commencement, revocation, authorising provisions and definitions.</p>	<p>Nil or minor impact: if there were no regulation there would be no need for preliminary material</p>
<p>Part 2 – Prescribed substances Prescribe substances for the purposes of the definition of liquor in section 3 of the LCR Act.</p>	<p>Moderate Impact: the prescribed substances in the regulations are specific alcohol product types considered especially risky in terms of their attraction to minors. The type of products like frozen liquor products presented as confectionery, vapor that can be transformed into liquor and dried alcohol powders that can be easily mixed to become alcohol products are particularly attractive to minors are easily transportable and easily ‘hidden’ resulting in harm to a very vulnerable cohort. The prohibition of the sales of these products means opportunity lost for businesses who would otherwise sell them were they legal. On balance it is likely that these products will be a small portion of the total market should they be sold.</p>
<p>Part 3 – Prescribed liquor Prescribe types of liquor that butchers may supply.</p>	<p>Nil or minor impact: the volume limit is in the LCR Act but the regulations prescribe the type of alcohol that can be sold without a licence. If this was not prescribed it would mean that butchers could supply any form of liquor including spirits up to 1.5 litres without a licence. There may be some impact on harm but as it is with an order for meat or fish (butcher includes a fish monger in the LCR Act) and the limited volume of alcohol is sold with food the risk to harm is minimal.</p>
<p>Part 4 – Security Cameras Establish minimum standards for security cameras.</p>	<p>Significant Impact: where the Commission places conditions on a licence for security surveillance/cameras they need to be of a quality that can be later scrutinised by the regulators (including Victoria Police). No quality requirements with surveillance equipment will result in harmful outcomes for patrons in venues, particularly where recorded material is used as evidence in prosecutions.</p>
<p>Part 5 – Particulars and information for applications</p>	<p>Minor impact: if no regulations were in existence to cover application requirements, then this would result in significant information inconsistencies and gaps for the Commission to</p>

Liquor Control Reform Interim Regulations 2022	Impact of having no regulations on the liquor regulatory framework
<p>Prescribe the particulars and information that are to be included in an application for the grant, variation, relocation or transfer of a licence or BYO permit.</p>	<p>undertake their work in considering liquor licence applications for new licences, variations, relocation and transfers of current licences.</p> <p>Application information is essential to have a basis to understand the business model of the applicant, how liquor supply is part of that model and the suitability of the individual to hold a licence. Without prescribed particulars, the application for a licence or indeed its variation or transfer (whatever the circumstances) would result in inconsistent decision-making by the Commission and likely inequitable outcomes for applicants. Further these regulations ensure that applications are assessed efficiently as they assist with the decision-making processes of the Commission.</p> <p>The need for basic and consistent information at the time of application is critical to the licensing of a product that can cause harm to individuals and to the community.</p>
<p>Part 6 – Fees</p> <p>Prescribe the fees payable under the LCR Act.</p>	<p>Significant impact: The base case would mean no fees are charged to applicants nor to licensees renewing their licences. No fees would lessen the burden on industry however would result in higher levels of harm given the absence of consideration of risk of harm. Further government costs would increase as compliance and enforcement costs would need to be borne.</p> <p>Effective regulation requires a fees model that represents the risk of licence types and individual licensed business, and associated cost of regulatory functions. This needs to be specific to all licence types and to risk factors and these need to be prescribed – setting no fees means no cost of regulation is recovered nor any risk element of licence types and to individual licensees considered (reflecting their circumstances such as trading later or having a history of non-compliance).</p>
<p>Part 7 – Prescribed variations</p> <p>Prescribe variations of licences and BYO permits that are not required to comply with the requirements set out in sections 33, 34 and 35 of the LCR Act (these relate respectively to: the requirement to give a copy of an application to police and the local council; public display of a licence application on the licensed premises and the need to advertise the application in a newspaper circulating in the area) unless required by the Commission.</p>	<p>Significant Impact: variations to licences can be critical, particularly when related to premises size, activity changes, patron capacity, security personnel and use of surveillance equipment. Other variations are about specifying a reduction or the withdrawal of some conditions on licences, reflecting the fact that the business is changing its supply profile to be in effect less risky.</p> <p>These prescribed variations enable an exemption to an otherwise highly regulated requirement as specified in the LCR Act for licence variations. Their removal would result in significant cost to industry as licensees who wish to reduce their hours, reduce their capacity, reduce their operations in effect would be required to undertake the same processes to vary their licence conditions as those seeking to increase those same factors resulting in an increase in burden.</p>

Liquor Control Reform Interim Regulations 2022	Impact of having no regulations on the liquor regulatory framework
<p>Part 8 – Prescribed conditions for the attendance of minors at live music events</p> <p>Conditions that apply in relation to live music events that are held at licensed premises or authorised premises and at which a person under the age of 18 may be present.</p>	<p>Significant impact: These regulations were introduced to deal with matters that affect the safety and wellbeing of those who attend the events. The safeguard in the regulations enables these activities to be conducted in a manner that addresses potential harms and provides industry with clarity on holding live music events where minors will be in attendance.</p>
<p>Part 9- Prescribed closure and evacuation notice requirements</p> <p>The regulations prescribe procedural matters relating to closure and evacuation notices issued under Part 8B of the LCR Act, including the form to issue a closure and revocation notice and to revoke the order and the prescribed information to be included in a sign to be displayed at the premises.</p>	<p>Moderate impact: the absence of prescribed procedures for a venue being issued a notice to close or evacuation or rectify major safety issues like fire risks and other emergencies would not result in a significant burden or harm. Essential safety measures are building requirements under the <i>Building Act 1993</i> (via Building Regulations 2018 that are authorised under that LCR Act). These relate to powers given to local councils and to fire authorities. Councils have responsibility under the <i>Building Act 1993</i> for the enforcement of building safety within their municipality.</p> <p>The municipal building surveyor or chief officer of the relevant fire authority is responsible for the enforcement of the maintenance provisions of the Regulations. Venue operators have an obligation to ensure all exits and paths of travel to exits are kept readily accessible, functional and clear of obstructions, but maintenance of the measures are the responsibility of the building owner (who may not be the liquor licensee).</p> <p>Changes affecting the operation of a licensed venue needs to be known by the Commission and the regulations are required to provide that necessary information. The absence of the Commission not knowing of any requirements from council or fire authorities to the liquor licence holder may result in some harm. A notification process from the licensee to the Commission may be simpler and have only a moderate burden on industry.</p>
<p>Part 11 – Prescribed barring order requirements</p> <p>Prescribe forms for use in relation to barring orders and prescribe particulars for notice of revocation of barring orders.</p>	<p>Moderate impact: barring orders enable individual customers who are at risk to themselves or others to be barred from a licensed premises including if they are the person is drunk, violent or quarrelsome in the licensed premises. The prescribed forms enable licensees, venue managers and Victoria Police to collect information about the barring notice in a consistent manner. This includes the variation or revocation of an order.</p> <p>The regulations enable consistency in the exercise of this power under the LCR Act and if not prescribed will potentially result in inequities for individuals affected and an inability to manage venues affected by troublesome patrons. However, it is also recognised that a venue has the common law right to not allow someone onto their venue, but this would be exercised on an individual incident basis. The banning order is intended for more ongoing concerns about an individual. The use of the common law right only would result in the</p>

Liquor Control Reform Interim Regulations 2022	Impact of having no regulations on the liquor regulatory framework
	<p>exclusion of patrons on a once off occasion and this would have to be repeated on each occasion if the licensee wished to exclude them for a period. Further, barring orders make it clear about the duration of the ban and the venue to which it pertains and the circumstances under which they can be revoked. There would be a moderate impact on burden if left to the common law right and a moderate impact on harm as without the barring order an individual would need to be excluded from the premises each time they entered the premises – protecting potentially other patrons from the outcomes of their anti-social behaviour.</p>
Part 13 – Expiry of Regulation	Nil or minor: if there are no regulations then expiry is not applicable.
SCHEDULES	The schedules relate to the above parts and represent prescribed forms that are referred to in the regulations. They are not rated separately for impact.

Attachment C: Options considered but not proposed for detailed analysis

Self-regulation by industry

This option would place greater responsibility on the liquor industry for the development and oversight of certain aspects of the regulatory framework for the sale and supply of liquor, and the operation of premises on which liquor is sold or supplied. Self-regulation could rely on industry developing voluntary rules or codes of practice, with the industry solely responsible for compliance. Currently in the LCR Act it is possible for licensees to form an accord which establishes agreed rules of operation for its members (accords are voluntary). The accord members are responsible for complying with its operating rules. This is one form of voluntary code of practice.

The adoption of self-regulation or co-regulation approaches, to address the matters contained in the Proposed Regulations, would likely increase uncertainty about how standards and requirements would apply at a state-wide level. It would also raise concerns in the community about whether there is an appropriate control over the sale and supply of liquor and the operation of licensed venues.⁶⁷

Administrative procedures

This option would address matters through administrative procedures rather than through the Proposed Regulations. However, there are limits to the matters that can be dealt with administratively, as the LCR Act often requires that regulations be prescribed.

There would be a significant risk that harms to the community from the sale or supply of liquor would grow and the overall integrity of the liquor regulatory system would be undermined.

Further, dealing with matters related to the licensing and operation of all venues administratively would not provide the necessary legal certainty. Administrative requirements would not have the force of law, heightening the potential for any set standards to be disregarded by some in the industry in favour of economic or other gains.

Administrative procedures could provide some greater flexibility to adapt to changes in circumstances as future administrative changes can be more readily approved and implemented to respond to regulatory change. However, any benefits are likely to be greatly outweighed by decreased legal certainty and non-compliance.⁶⁸

Information and education

Information and education campaigns were not considered as separate options to replace the regulations. This is because the Commission already has comprehensive information and education campaigns. These complement the regulations, rather than seek to replace them. In that sense, they form a part of the reference case.

⁶⁷ Department of Industry, New South Wales, Regulatory Impact Statement - Liquor Regulation 2018

⁶⁸ *ibid*

Attachment D: Liquor licence processes and costs – supplementary information

Attachment D1: LCR Amendment Act 2021 – Applications related provisions and considerations

Information required for an application

The information required for an application can be categorised as follows:

Identifying details

- the applicant's (transferee's) name
- the applicant's (or transferee's) address for service of documents (including fax number and email address) and business hours telephone number
- the address of the premises that is the subject of the application
- the name and address of relevant parties if applicant is a body corporate, an unincorporated club or partnership
- a description of the nature and scope of the business to be conducted under the licence
- an accurate depiction of the premises showing the proposed area of the licensed premises
- an accurate depiction of the premises showing the proposed size or perimeter
- the licence or permit number (if relevant).

It is recommended that these prescribed information and particulars are retained as they are the minimum necessary information required to determine the application, contact the applicant and inform the applicant of the outcome of the application.

Amenity details

Section 3A of the LCR Act defines the term amenity: amenity refers to the 'quality that the area has of being pleasant and agreeable'.⁶⁹ This forms part of a key object under the LCR Act to 'contribute to minimising harm arising from the misuse and abuse of alcohol, including by ensuring as far as practicable that the supply of liquor contributes to, and does not detract from, the amenity of community life'.⁷⁰

This requires the following information:

- description of the nature and scope of the business
- any conditions sought in relation to the licence, including the times outside of ordinary trading hours which the applicant wishes to supply liquor
- for BYO permits the hours for which the applicant wishes to the permit to apply
- a depiction of the premises showing the proposed area of the licensed premises/ proposed size or perimeter of the licensed premises
- if the application is for a variation of a current licence, details of the variation sought
- planning permit or evidence the licence would not contravene planning laws (for example that a planning permit is not required).

⁶⁹ Section 3A *Liquor Control Reform Act 1998*

⁷⁰ Section 4(1)(a)(ii) *Liquor Control Reform Act 1998*

In determining whether the grant variation or relocation of a licence would be detrimental to the amenity of an area, the Commission can take into account the possibility of nuisance or vandalism and the harmony and coherence of the environment.⁷¹ It is therefore imperative that the Commission has sufficient information to make a determination about amenity. The prescribed information and particulars are the minimum information required to assess the amenity impact of the application and to make a determination as to whether it would have a detrimental impact.

It is recommended that the prescribed information and particulars that relate to amenity are retained.

Details relating to compliance with the LCR Act

- planning permit or evidence the licence would not contravene planning laws
- where applicant is not the owner of the premises, a declaration by the applicant or transferee that they have the right to occupy premises
- notice of right to use premises as licensed premises (for grant, variation or relocation of licence this is prescribed in regulations as Form 1 in Schedule 5)
- depiction of the premises, including size or perimeter
- the names and addresses of a transferee's associates
- notice of right to occupy (for transfer applications this is prescribed in regulations as form 1 in schedule 6).

It is recommended that the prescribed information and particulars that relate to demonstrating compliance with the LCR Act are retained.

Other requirements

Aside from the prescribed information and particulars, the LCR Act requires that for applications for the grant of a licence⁷²:

- be in a form approved by the Commission
- list the names, dates of birth and addresses of associates of the applicant (or directors, if body corporate)
- disclose any demerit points accrued within the last three years
- a plan or depiction of the premises in a form approved by the Commission
- include the prescribed fee for the licence or permit.

Applications for licence variations⁷³:

- must be in a form approved by the Commission
- be accompanied by a plan or depiction of the premises
- include the prescribed variation fee.

Applications for relocation of a licence⁷⁴:

- must be in a form approved by the Commission
- be accompanied by a plan or depiction of the premises
- include the prescribed relocation fee

⁷¹ Section 3A *Liquor Control Reform Act 1998*

⁷² Section 28 *Liquor Control Reform Act 1998*

⁷³ Section 29 *Liquor Control Reform Act 1998*

⁷⁴ Section 31 *Liquor Control Reform Act 1998*

Application for transfer of licence⁷⁵:

- be in a form approved by the Commission
- list the names, dates of birth and addresses of the associates-
 - of the proposed transferee, and
 - if the proposed transferee is a body corporate, of each director of the director of the proposed transferee
- disclose any demerit points accrued within the last three years
- be accompanied by a plan or depiction of the premises
- include the prescribed transfer fee.

⁷⁵ Section 32 *Liquor Control Reform Act 1998*

Attachment D2: Prescribed fee units under the current regulations

Table D2 outlines the prescribed fee units under the Current Regulations. Applications also include those that are for varying a licence, such as changes in licensed area or size of the premises, a change in the hours of operation or a change of the general conditions of the licence or permit in Victoria.

Table D2: Schedule of liquor licence application fees (July 2022)

Licence Application Grouping	Details	Fee	Prescribed fee units
Application for a new licence	Late-night (general)	\$496.00	32.44
	Late-night (on-premises)	\$496.00	32.44
	Late-night (packaged liquor)	\$496.00	32.44
	On-premises	\$496.00	32.44
	Restaurant and café	\$496.00	32.44
	General	\$496.00	32.44
	Packaged liquor	\$496.00	32.44
	Full club	\$496.00	32.44
	Restricted club	\$496.00	32.44
	Pre-retail	\$496.00	32.44
	Producer's	\$496.00	32.44
	Renewal limited	\$496.00	32.44
	Remote seller's packaged liquor licence	\$496.00	32.44
Application for a BYO permit	BYO permit	\$266.50	17.43
Application for a temporary limited licence	Temporary limited – holds existing licence/permit other than temporary limited licence or a major event licence	\$118.30	7.74
	Temporary limited – where the applicant does not hold and existing licence/permit other than temporary limited licence or a major event licence	\$63.90	4.18
Application for a major event – single applicant	Major event where a single applicant makes one or more licence application in relation to the event (e.g., Formula 1 Australian Grand Prix)	\$1018.30	66.6
Application for a major event – multiple applicants	Major event where multiple applicants make licence applications in relation to the event (e.g., licences in respect to the St. Kilda Festival)	\$152.70 per application	9.99
Application to vary a licence	Variation of licence or BYO permit	\$223.50	14.62
	Amalgamated club	\$223.50	14.62
	Approval of nominee or director	\$223.50	14.62
	Relocation of licence or BYO permit	\$223.50	14.62
	Transfer of licence or BYO permit	\$223.50	14.62
	Temporary underage authority for an entertainment event	\$223.50	14.62
	Producer's licence. This fee applies when the promotional event authorisation is the only extra condition to be added. If other conditions are also the be changed, the standard variation fee will apply.	\$118.30	7.74

Source: Victorian Commission for Gambling and Liquor Regulation, Liquor licensing fact 20 September 2022 and *Liquor Control Reform Interim Regulations 2022* Schedule 1 – Fees.

Note: Fee per unit - \$15.29 https://www.dtf.vic.gov.au/financial-management-government/indexation-fees-and-penalties_fee_per_unit_from_July_2022

Attachment D3: Process steps in the consideration of liquor licence applications

Table D3 further details the process steps completed by the Commission in the consideration of liquor licence applications.

Table D3: Process steps for receiving and processing of liquor licence applications

Victorian Liquor Commission (and predecessors)
<p>Commission</p> <ul style="list-style-type: none"> • Granting or refusing applications • Advising Minister on the operation of the LCR Act
<p>Licensing Division</p> <ul style="list-style-type: none"> • Acknowledging applications and reviewing them for completeness or otherwise returning to applicant due to missing prescribed information • Processing application fees • Liaising with applicants including requiring public display of applications • Sending applications to Victoria Police and local councils • Assessing applications • Determining uncontested applications under delegation from the Commission • Processing objections received in response to licence applications including liaising with applicants and objectors • Determining contested applications (including liaising with applicant on objections, providing objectors an opportunity to respond to an applicant's response to their objections, and preparing statements of reasons) under delegation from the Commission or otherwise escalating to single commissioner of Commission for determination • Determining "own initiative" variation applications (including liaising with licensees and considering objections) under delegation. • Other initiatives such as maintenance of website, answering telephone enquiries, and preparation of publications, fact sheets and a newsletter.
<p>Regulatory Policy and Legal Services Division</p> <ul style="list-style-type: none"> • Advice to delegated decision makers (Licensing staff) on request • For internal reviews, disciplinary decision or other decisions escalated by Commissioners ("Commission level decisions") • Prepare files for Commissioners in cooperation with Licensing and/or Compliance division • Sending applications to Victoria Police, local councils, licensee and objectors (internal reviews and escalations) • Coordinate communication and submissions between parties and Commission, including by Preliminary Hearings and directions • Liaise and correspond with Commissioners and parties to organise hearings • Administer hearings • Provide legal advice to Commissioners regarding each commission level decision • Commissioners make decisions regarding Commission level decisions, draft under instructions the Commissioners' reasons for decision
<p>Education accreditation and maintenance of RSA training courses</p> <ul style="list-style-type: none"> • Accreditation and maintenance of new entrant training courses
<p>System support and development</p> <ul style="list-style-type: none"> • Main liquor licensing database and other internet-based systems related to liquor licences, RSA training and floor plans for licensed premises.

Attachment D4: Regulatory compliance and monitoring of the liquor industry

A summary of those activities/processes undertaken in regulating and monitoring the liquor industry by the Commission and Victoria Police for the recovery of costs is provided below.

Activities undertaken in processing of annual renewal fees by the State Revenue Office (SRO) also form part of recovery of costs of the Commission and are included below.

Commission

The Commission regulates liquor licensing for the benefit of the Victorian community by focussing on integrity, harm minimisation and the attainment of innovation, diversity and responsible development of the liquor industry. In balancing competing regulatory objectives, the Commission's aim is to identify problems in the liquor industry that put the achievement of regulatory objectives at risk.

The Commission uses an integrated approach that is focused on using licensing, information, education, monitoring and enforcement functions in combination to solve problems, and achieve its regulatory objectives and outcomes for the community.

The Commission has a targeted monitoring program informed by risk assessments with a particular focus on liquor related harm, conducts random audits and inspections and looks to identify trends or emerging issues in the liquor industry as a whole.

The aim of the Commission's enforcement regime is to encourage individuals and regulated businesses to choose to comply with their obligations. The Commission takes a problem-solving approach to enforcement where sanctions are chosen based on their likelihood of successfully motivating those found to be non-compliant to change their behaviour and comply with liquor laws in the future.

When deciding what sanction is appropriate to respond to non-compliance, the Commission considers the severity of a breach and what is appropriate for each individual licence and licensee in order to support more compliant behaviour: choosing enforcement sanctions that act as a specific deterrent to future non-compliance by the individual offender and act as a general deterrent to industries by educating them about the need to comply with the law.

For example, if the Commission detects a venue not complying with the law, it may take action in multiple areas to bring a venue back into compliance. If a liquor licensed premises has been caught serving an intoxicated patron, the Commission may give the licensee information to make them aware of their responsibilities, charge the licensee with an offence, vary licence conditions to minimise the risk it will happen again and make sure all bar staff have completed Responsible Service of Alcohol (RSA) training.⁷⁶

Victoria Police

Victoria Police operates a range of dedicated liquor licensing-related work units and functions. The Chief Commissioner of Police has the right to appoint licensing inspectors for enforcing the provisions in the LCR Act. The staffing of these work units and functions should be included in their entirety in the cost estimation of liquor licensing to Victoria Police. Such functions include, but are not limited to the following areas:

- State Liquor Unit which provides a dedicated, specialist response to licensed premises through partnerships, early intervention and enforcement of liquor licensing and related provisions.
- Liquor Licensing Unit which provides specialist liquor licensing support to licensing inspectors and other members performing liquor licensing duties.
- Divisional Licensing Units (DLU) which perform a range of liquor licensing duties on behalf of their division including application assessment, enforcement and intelligence gathering.

⁷⁶ [Victorian Commission for Gambling and Liquor Regulation Regulatory Approach Information sheet 2014](#)

- Targeted 'My City Operation' which operates every Friday and Saturday night in the Melbourne CBD and the My City Operation – Public Order Response Team which provides resources to the My City Operation every Friday and Saturday night.
- Targeted 'Operation 'Safenight' which runs every Friday and Saturday in Southern Metro Region, including the Chapel St entertainment district.

Employees at police stations across Victoria also perform liquor licensing-related duties as part of their general duties. Such liquor-related functions include patrolling licensed venues, issuing infringements, responding to reports of crime at licensed premises, and attending liquor accords/forums.

State Revenue Office

Using information provided by the Commission, the SRO produces and issues annual liquor licence renewal notices and collects the related payments on behalf of the Commission.

The specific tasks undertaken by the SRO include:

- liaising with external service provider to prepare, produce and issue renewal notices
- answering telephone enquiries from customers regarding notices and payments
- receipting payments and reconciling payment files
- collating and forwarding documentations to the Commission.

Attachment D5: Estimate of costs in relation in processing liquor licence applications and in regulating and monitoring the liquor industry by the Commission

Table D5.1 breakdowns the estimated costs of the Commission in relation to liquor licensing processes, and regulatory compliance and monitoring activities.

The estimated costs include:

- Staffing allocations for approximately 120 personnel to four operational sections of the Commission determined through most performed tasks identifiable to respective liquor activities. For example, licensing staff dedicated to liquor application processing, inspectors dedicated to performing compliance activities, and staff dedicated to performing corporate, statutory and general operations.
- Total employment cost allocations consistent with the Victorian Public Service Enterprise Agreement 2020 and the Victorian Government's Appointment and Remuneration Guidelines (effective July 2022).
- Operational Expenditure (including leasing of the Commission's offices including specialist Hearing Rooms, car leases for regional inspections, external legal advice, etc.)
- SRO costs are assumed to be included as part of operational expenditure of the Commission. Using information provided by the Commission, the SRO produces and issues annual liquor licence renewal notices and collects the related payments on behalf of the Commission. The breakdown of SRO costs provided at Table D5.2 is provided for information only.

Table D5.1: Commission cost summary (estimated 2022-23 financial year)^{77 78}

Commission Section	Liquor Licensing systems and processing (Application costs)	Regulation, Compliance and Enforcement (Renewal costs)	Other (LRC Act prescribed fees)	Total
Licensing	\$4,731,000			\$4,731,000
Compliance		\$3,600,000	\$500,000	\$4,100,000
Policy and Legal Support		\$1,890,000		\$1,890,000
Corporate, Statutory and Operations		\$5,010,000		\$5,010,000
Total	\$4,731,000	\$10,500,000	\$500,000	\$15,731,000

Table D5.2: Estimate of costs for processing liquor licence renewal invoices by the State Revenue Office ^{79 80}

Cost category	Cost	
Salary VPS 2.2.1 x 0.5 FTE	\$63,646.00	\$31,823.00
On-costs*	0.2235	\$7,112.44
Overheads*	0.5245	\$16,691.16
Production, printing, postage of notices		\$5,750.00
Amendments to notices		\$2,350.00
TOTAL		\$63,726.60

⁷⁷ Victorian Liquor Commission estimate of costs (as provided December 2022)

⁷⁸ Liquor licence fees for premises that provide sexually explicit entertainment are set in the LCR Act. These costs are provided for completeness of information only.

⁷⁹ State Revenue Office processing and administrative costs estimate – Liquor Licence renewal invoices (December 2021). On-costs and overheads calculations based on VPS salary costings

⁸⁰ DJCS Corporate Governance and Support, 2022-23 ERC Costing Guidelines (as accessed November 2021)

Attachment D6: Estimate of costs in relation in regulation, compliance and enforcement of the liquor industry by Victoria Police

Victoria Police is involved in the administration of liquor licensing by way of:

- *Assessing liquor licence applications*: new applications, transfers, variations, relocations and approvals, assess applicant suitability and amenity impact
- *Objections and Liquor Licensing Panel Hearings*: preparing objection applications, attend panel hearings
- *Liquor Licensing Unit* - providing specialist advice to Victoria Police officers regarding liquor licensing matters and liaising with staff of the Commission regarding licensing and compliance matters.
- *Officer training* - training officers in liquor-related duties

Victoria Police activities directly related to liquor regulation, compliance and enforcement are undertaken as part of general policing funded through several revenue sources, to link all such activities to liquor fees would not be reflective of a pure cost estimate for cost recovery.

However, dedicated functions and units directly contribute to reducing alcohol related harm by means of such compliance and enforcement activities. As such, Victoria Police cost estimates are applied in the calculating of total costs incurred in administering liquor licences in Victoria.

Dedicated liquor licensing functions and units

- Victoria Police operates a range of dedicated liquor licensing-related work units and functions. The staffing of these work units and functions can be included in their entirety in the cost estimation of liquor licensing to Victoria Police. Table D5.2 outlines the dedicated liquor licensing functions/work units across Victoria Police.
- The staffing composition of these areas was sought from 2018-19. This information was drawn from human resource data holdings or directly from the relevant work areas where human resource data was unavailable. Victoria Police note that the staffing composition of work units and functions changes regulatory and the information provided represents a point in time only and that the dedicated liquor licensing functions may not be exhaustive.

General duties – direct liquor licensing compliance and enforcement activities

- Victoria Police costs were based on Victoria Police estimates of the average time and costs for direct compliance and enforcement activities and non-direct associated costs e.g., training of Victoria Police as relevant to liquor licence processes.
- Estimates of the time spent by general duties personnel on liquor licensing related duties are drawn from a sample of police stations. Employees at police stations across Victoria perform liquor licensing related duties as part of their general duties. The liquor licensing function includes assessing licence applications and patrolling licensed venues.
- Four stations provided information about the time spent on liquor licensing duties, which were selected on the basis that also participated in the costs' estimation exercise in 2008-09 (2009 RIS). The four stations include an inner metropolitan station (Moonee Ponds); an outer metropolitan station (Melton); a smaller regional station (Wonthaggi) and a larger regional station (Bendigo).
- Local Area Commanders (LACs) at the four stations were requested to complete a table providing an estimation of the number of hours per week each rank at their station would spend in on average on liquor licensing related activities. It was emphasised to the LACs that the responses were understood to be estimations, and not based on any analysis of data or any other extensive processes.

- LACs were also advised to provide estimates based on ‘normal’ circumstances (i.e., pre COVID) and to answer in terms of the ‘average’ or ‘normal’ activities of the rank.
- The number of stations in each category (inner metropolitan, outer metropolitan, small regional and large regional) is an estimate based on each Victorian station’s location and number of FTE. Stations with less than ten FTE were not included as being too small to be involved in liquor licensing related duties.
- Salary costs are drawn from the midpoint salary range 2022 sourced from the Victoria Police Enterprise agreement 2019; on-costs and overheads sourced from Victoria Police Financial Services Department, December 2021.
- The information provided is an estimation only of the time spent at a station on liquor licensing related activities with results from one station not necessarily representative of other stations. The estimations are based solely on the experience of the relevant LACs, and where it was possible to internally consult, the experience of other members.

Tables

- Table D6.1 provides a summary of the current estimated costs in performing liquor licensing related activities by Victoria Police.
- Table D6.2 provides estimated costs for the dedicated liquor licensing functions/units across Victoria Police.
- Table D6.3 is an estimation of the time spent by general duties personnel on liquor licensing related duties at a sample of police stations.
- Table D6.4 is an estimation of liquor licensing compliance and enforcement training costs– Victoria Police

Table D6.1: Estimate of costs for performing liquor licensing related activities by Victoria Police^{81 82}

Victoria Police	Regulation, Compliance and Enforcement Costs
General personnel	
Policing licensed premises	\$3,198,366
Preparing for and attending court	\$82,478
Other	\$1,496,029
Dedicated functions and units	
State Liquor Unit	\$3,010,674
Liquor Licensing Unit	\$916,272
Divisional Licensing Unit - Melbourne	\$1,557,506
Divisional Licensing Unit - Prahran	\$536,909
Divisional Licensing Unit - Geelong	\$662,960
My City Operation	\$5,889,578
My City Operation - Public Order Response Team	\$2,003,503
Operation Safenight	\$932,755
Training	
Training costs (2022)	\$917,195
TOTAL	\$21,204,225

⁸¹ Victoria Police estimate of cost (November 2021 and March 2022); Victoria Police Enterprise agreement 2019

⁸² Department of Justice Liquor Control Reform Regulations Regulatory Impact Statement August 2009 – CPI estimate of costs

Table D6.2: Dedicated liquor licensing functions/units across Victoria Police

Work unit/function	Description	2018-19 staffing contingent (positions)	Other comments
State Liquor Unit	Provides a dedicated, specialist response to licensed premises through partnerships, early intervention and enforcement of liquor licensing and related provisions.	Senior Sergeant: 2	Numbers represent full time positions.
		Sergeant: 7	
		Other Rank: 19	
		VPS2: 1	
Liquor Licensing Unit	Provide specialist liquor licensing support to Licensing Inspectors and other members performing liquor licensing duties.	Senior Sergeant: 1	Numbers represent full time positions.
		Sergeant: 4	
		Other Rank: 0	
		VPS2: 1	
Divisional Licensing Unit (DLU) - Melbourne	DLUs perform a range of liquor licensing duties on behalf of their division including application assessment, enforcement and intelligence gathering.	Sergeant: 2	Numbers represent full time positions.
Divisional Licensing Unit - Prahran		Other Rank: 9	
Divisional Licensing Unit - Geelong		VPS 2: 1	
Divisional Licensing Unit - Prahran		Sergeant: 1	Numbers represent full time positions.
Divisional Licensing Unit - Geelong		Other Rank: 3	
Divisional Licensing Unit - Geelong		Sergeant: 1	Numbers represent full time positions.
Divisional Licensing Unit - Geelong	Other Rank: 4		
My City Operation	My City operates every Friday and Saturday night in the Melbourne CBD.	Inspector: 1	Resources are required every Friday night and every Saturday night.
		Senior Sergeant: 1	
		Sergeant: 13	
		Other Rank: 66	
My City Operation – Public Order Response Team contribution	Public Order Response Team provides resources to the My City Operation every Friday and Saturday night.	Sergeant: 4	These resources are in addition to above My City resources.
		Other Rank: 24	
Operation Safenight	Operation Safenight runs every Friday and Saturday night in Southern Metro Region, including the Chapel St entertainment district.	Sergeant: 2	Resources are required for one eight hour shift every Friday night and one eight hour shift every Saturday night.
		Other Rank: 11	

Table D6.3 – Estimate of the time spent by general duties personnel on liquor licensing related duties at a sample of police stations

		At your station, on average, how many hours per week does each rank spend on:				
		Assessing liquor licence applications (including all types - new licence applications, renewals, variations etc.)	Policing licensed premises (including patrolling licensed premises, issuing infringements, responding to reports of crime at licensed premises, attending liquor accords/forums)	Preparing for and attending court on liquor licensing-related matters (e.g., objecting to a licence application)	Preparing for and attending Commission (VCGLR) disciplinary proceedings	Any other liquor-licensing related activity (please describe the activity, and the amount of time spent on it as a percentage of all your duties)
BENDIGO	Other rank	0	10	0	0	4-8 hours - In most circumstances in response to calls for service or follow up investigations following reported matters/incidents of crime.
	Sergeant	3	4	0	0	6 - monitoring of portfolio & associated responsibilities, including public engagements, education and proactive engagement with Licensed Premises.
	Senior Sergeant	2	2	0	0	3 - Activities include review of LPIRs and subsequent actions & engagement with Licensees. Active participation in the Liquor Forum.
	Inspector	2	2	1	0	3 - Activities include review of LPIRs and subsequent actions & engagement with Licensees & active engagement through the Liquor Forum.
WONTHAGGI	Other rank	0	0	0	0	0
	Sergeant	2	3	0	0	0
	Senior Sergeant	0	0	0	0	1 accord
	Inspector	1	0	0	0	0.5 accord
MELTON	Other rank	0	1	0	0	0
	Sergeant	2	1	Very rare	Very rare	0
	Senior Sergeant	0	1	0	0	0
	Inspector	2	0	Very rare	Very rare	0
MOONEE PONDS	Other rank	0	8	0	0	0
	Sergeant	8	0	0	0	0
	Senior Sergeant	0	0	0	0	0
	Inspector	1	0	0	0	0

Table D6.4: Estimated liquor licensing compliance and enforcement training costs– Victoria Police

Training and Education	Course Delivery		Session duration (minutes/ hours)	Total no. or approximate sessions delivered 2018-19 FY	Total no. or approximate attendees / course participants	Tariff (hourly cost of Police)	Number of training session (hours)	Cost
	No. staff	Level or rank						
Recruit training (Academy)	1	Sergeant or VPS4	50 minutes	Currently recruits receive 1 x 50-minute session on Liquor Licencing delivered during week 13 of the current 25 week program.	Approximately 1199 recruits received training in 2018-19.	\$104.45	119.9	\$12,522.99
						\$69.43	1199	\$83,248.28
Liquor Licensing Course (LLU)	1	Sergeant or above	One day (approx. 6 hours)	8	144 participants in total in 2018-19.	\$104.45	872	\$91,076.27
Liquor Licensing Enforcement Training: delivered by RTO/DTO as part of promotion to Sergeant	1	Senior Sergeant	One day (approx. 6 hours)	133 (6-13 participants per session).	920 participants in total in 2018-19.	\$115.60	6318	\$730,347.48
							Total Annual Costs	\$917,195.03

Attachment D7: Estimate of total costs in relation to liquor licence applications and renewal fees

Table D7.1 is a summary table of estimated total costs for recovery as related to liquor licensing application processes

Table 7.2 is a summary table of the estimated costs for recovery as related to liquor regulation, compliance and monitoring.

Table D7.1: Estimate of total costs for recovery as related to liquor licensing application processes (Commission)

RIS - Application fees cost recovery summary	Total
Total application fees received - 2019	\$2,712,551
Estimated costs - recovery	
Liquor regulator (2022 budget estimate)	\$4,731,000
Total - cost for recovery	\$4,731,000

Table D7.2: Estimated costs for recovery for liquor licence renewals (Commission and Victoria Police)

RIS -Renewal fees cost recovery summary	Total
Total fees received - 2019	\$24,550,042
Estimated Costs - recovery	
Liquor Regulator (2022 budget estimate allocation)	\$10,500,000
Victoria Police (total estimate costs)	\$21,204,225
Total - costs for recovery	\$31,704,225
2019 Data – Cost Recovery	\$ Amount
Base fee	\$12,887,446
Risk factors	\$12,181,758
Total fees paid – 2019	\$25,069,204
Less fees received (prescribed fees under the LCR Act)	-\$519,162
Total fees received - 2019	\$24,550,042

Attachment D8: Analysis of data in assessing risk as related to liquor licence applications and renewal fees

Analysis has been completed to inform further on the main issues identified with the current fee structure that:

- application fees and base fees for renewals do not currently reflect risk
- available data indicates that the risk factors are not adequately assessing risk
- other risk factors not currently considered are appropriate in assessing risk.

Base fees – applications and renewals

Packaged liquor

Research has demonstrated that changes in the supply of alcohol through the density and type of packaged liquor outlets has the potential to influence rates of consumption and alcohol-related harm.⁸³

The Victorian Health Promotion Foundation's *The social harms associated with the sale and supply of packaged liquor in Victoria* report presented a State-wide overview of packaged liquor supply, utilisation and associated short-term harms in Victoria. The report's key finding included that:

- there is a significant burden of short-term harm associated with consumption of packaged liquor in Victoria
- young people and disadvantaged groups may bear a disproportionately large part of this burden of short-term harm
- community members perceive greater harms in neighbourhoods with higher densities of packaged liquor outlets.⁸⁴

Data on liquor licence compliance

To address concerns that base fees are not adequately reflecting the level of risk posed by a licence type, analysis of liquor licence compliance data was undertaken. Liquor licence compliance data shows how many licensees in each licence category have been penalised for non-compliance with their liquor licence and the LCR Act. This data may be used to determine which licence categories could be considered riskier, and therefore subject to higher base fees going forward.

The following liquor licence compliance data was analysed for this purpose:

- Demerit points: licensees receive a demerit point on their licence if there has been a non-compliance incident in relation to that licence. A non-compliance incident relates to certain offences under the LCR Act concerning supplying liquor to intoxicated or underage persons and permitting drunken/disorderly or underage persons on premises.
- Infringement notices: an infringement notice is a fine issued for specified breaches of the LCR Act, as an alternative to having the matter heard before a court.
- Written warnings: a written warning is issued when there has been an infringement of licence conditions and gives the licensee the opportunity to voluntarily return their premises to a compliant state within a particular timeframe.

⁸³ Livingston, M., *Packaged liquor in Victoria - 2001 to 2016*. In Press, Melbourne: La Trobe University, Foundation for Alcohol Research and Education, Centre for Alcohol Policy Research: Melbourne

⁸⁴ Victorian Health Promotion Foundation, *The social harms associated with the sale and supply of packaged liquor in Victoria* report; March 2013.

- Disciplinary actions: disciplinary action is defined in the LCR Act as one or a combination of: the cancelation, suspension, variation or endorsement of a licence, the issuing of a letter of censure, or a fine.
- Enforceable undertakings: an enforceable undertaking is a legal agreement where a person or organisation abides by certain conditions agreed to with the Commission. Instead of attending formal court or tribunal proceedings and to avoid repeat behaviour, consensual programs are developed between the Commission and the licensee.
- Criminal prosecutions: where a serious or deliberate infringement of licence conditions occurs, a police investigation may occur which could lead to court proceedings and criminal prosecution.
- Advertising/promotion bans: the Commission has the power to ban advertising or promotions
- public interest.

Table D8.1 below presents all the above data by calendar year for the last three years, 2018 to 2020 for each licence category. The real number of instances per year is shown first, and then the rate per 1,000 licensees so that the various licence categories can be compared.⁸⁵

Table D8.1: Liquor licence compliance data by calendar year 2018 to 2020

	No. of instances			Rate per 1,000 licensees			No. of instances			Rate per 1,000 licensees		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
DEMERIT POINTS						ENFORCEABLE UNDERTAKINGS						
BYO Permit	-	-	-	-	-	-	-	-	-	-	-	-
Full club	1	-	-	1.3	-	-	-	-	-	-	-	-
General	1	4	2	0.6	2.4	1.2	-	-	-	-	-	-
Late night (general)	6	9	2	12.4	18.9	4.2	-	1	-	-	2.1	-
Late night (on-premises)	6	19	7	22.3	16.6	53.7	1	-	-	-	2.8	-
Late night (packaged)	-	-	-	-	-	-	-	-	-	-	-	-
On-premises	4	-	-	2.0	-	-	1	-	-	0.5	-	-
Packaged liquor	-	1	-	-	0.5	-	-	-	-	-	-	-
Pre-retail	-	-	-	-	-	-	-	-	-	-	-	-
Producer	-	-	-	-	-	-	-	-	-	-	-	-
Renewable limited	-	-	1	-	-	0.2	-	-	-	-	-	-
Restaurant and café	-	-	-	-	-	-	1	-	-	0.2	-	-
Restricted club	-	-	-	-	-	-	-	-	-	-	-	-
INFRINGEMENT NOTICES						ADVERTISING/PROMOTION BANS						
BYO Permit	21	3	-	17.6	2.6	-	-	-	-	-	-	-
Full club	1	-	-	1.3	-	-	-	-	-	-	-	-
General	37	19	-	22.6	11.4	-	-	-	-	-	-	-
Late night (general)	19	14	4	39.4	29.5	8.5	-	-	-	-	-	-
Late night (on-premises)	41	45	5	111.4	113.3	127.1	-	-	-	-	-	-
Late night (packaged)	-	-	-	-	-	-	-	-	-	-	-	-
On-premises	90	39	12	44.8	19.4	5.9	-	-	1	-	-	0.5
Packaged liquor	59	31	4	28.2	14.6	1.9	1	-	-	0.5	-	-
Pre-retail	-	-	-	-	-	-	-	1	-	-	1.0	-
Producer	4	1	-	4.6	1.1	-	-	-	-	-	-	-
Renewable limited	7	2	4	1.4	0.4	0.7	-	1	-	-	0.2	-
Restaurant and café	129	50	10	20.9	7.8	1.5	-	-	-	-	-	-
Restricted club	-	-	-	-	-	-	-	-	-	-	-	-

⁸⁵ Demerit points 2018-19: VGCCC, 29 April 2020, Demerit points 2020: VGCCC website "Current demerit point register", <http://www.vcglr.vic.gov.au/current-demerit-point-register>, accessed October 2021; Infringement notices, written warnings, disciplinary actions, enforceable undertakings, advertising promotion bans: VGCCC, 29 July 2021, Criminal prosecutions: VGCCC, 11 October 2021,.

Table D8.1 (continued): Liquor licence compliance data by calendar year 2018 to 2020

	No. of instances			Rate per 1,000 licensees			No. of instances			Rate per 1,000 licensees		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
WRITTEN WARNINGS							CRIMINAL PROSECUTIONS					
BYO Permit	239	43	16	199.8	36.7	14.4				-	-	-
Full club	38	16	1	51.3	21.6	1.4			1	-	-	1.4
General	435	176	93	265.9	105.3	54.5	1		1	0.6	-	0.6
Late night (general)	178	52	15	369.3	109.5	31.7	3		1	6.2	-	2.1
Late night (on-premises)	150	80	13	312.0	414.4	226.0	3			8.4	8.3	-
Late night (packaged)	-	-	-	-	-	-				-	-	-
On-premises	674	215	74	335.2	107.2	36.4	1	1	1	0.5	0.5	0.5
Packaged liquor	623	347	105	297.8	163.9	48.8				-	-	-
Pre-retail	-	1	1	-	1.0	0.9				-	-	-
Producer	43	15	6	49.9	16.8	6.5				-	-	-
Renewable limited	195	72	27	37.8	13.5	4.9				-	-	-
Restaurant and café	1,313	497	227	212.3	77.2	34.6	1	1	1	0.2	0.2	0.2
Restricted club	-	-	-	-	-	-				-	-	-
DISCIPLINARY ACTIONS												
BYO Permit	-	-	-	-	-	-						
Full club	-	-	-	-	-	-						
General	-	-	2	-	-	1.2						
Late night (general)	-	-	-	-	-	-						
Late night (on-premises)	1	-	1	2.8	2.8	-						
Late night (packaged)	-	-	-	-	-	-						
On-premises	-	-	-	-	-	-						
Packaged liquor	-	-	-	-	-	-						
Pre-retail	-	-	-	-	-	-						
Producer	-	-	-	-	-	-						
Renewable limited	-	-	-	-	-	-						
Restaurant and café	-	-	-	-	-	-						
Restricted club	-	-	-	-	-	-						

To assess the risk of harm associated with each licence category and to determine the recommended relative levels of base fees: demerit points⁸⁶, infringement notices and written warnings.

Disciplinary actions, enforceable undertakings, criminal prosecutions, and advertising / promotion bans data were not considered in the risk hierarchy as there was only a small number of instances with no visible correlation between the compliance data and licence category.

Each licence category is allocated a point score, based on their rank for their average rate over the past three years 2018 to 2020. This point score is used to rank each licence category from highest to lowest risk, with a higher number of points indicating a higher rate of non-compliance.

The rate (as opposed to the real number of instances) is used so that the number of licensees per category is considered. The rate is calculated using the number of licensees as of 30 June in the relevant year.⁸⁷

Table D8.2 shows the resulting risk levels, with late night (on-premises) indicated to be the riskiest licence category.

⁸⁶ Demerit points are accrued by a licence for each non-compliance incident recorded against a licence and apply to a licence for three years.

⁸⁷ VGCCC website "Victorian liquor licences by category", <http://www.vcgilr.vic.gov.au/resources/data-and-research/liquor-data/liquor-licences-category>, accessed October 2021.

Table D8.2: Liquor licence category compliance data point scores (averaged for 2018 to 2020)

LICENCE CATEGORY	Demerit points	Infringement notices	Written warnings	Demerit points	Infringement notices	Written warnings	Aggregated points	Final
	RATE per 1,000 licensees	RATE per 1,000 licensees	RATE per 1,000 licensees	POINTS BASED ON RANK	POINTS BASED ON RANK	POINTS BASED ON RANK	TOTAL POINTS	RANK
Late night (on-premises)	30.84	117.27	317.44	13	13	13	39	1
Late night (general)	11.87	25.78	170.16	12	12	11	35	2
On-premises	0.66	23.37	159.57	10	11	10	31	3
Packaged liquor	0.16	14.90	170.18	8	10	12	30	4
General	1.39	11.33	141.90	11	9	9	29	5
Full Club	0.45	0.45	24.75	9	4	6	19	6
Renewable limited	0.06	0.82	18.71	7	5	4	16	7
Restaurant and café	-	10.05	108.03	0	8	8	16	7
BYO Permit	-	6.71	83.64	0	7	7	14	8
Producer	-	1.92	24.40	0	6	5	11	9
Pre-retail	-	-	0.62	0	0	3	3	10
Late night (packaged)	-	-	-	0	0	0	0	11
Restricted club	-	-	-	0	0	0	0	11

Based on this analysis, there is a significant gap between the top five licence categories and the remaining categories, with the late night (on-premises), late night (general), on-premises, packaged liquor, and general categories all scoring between 29-39 points. The sixth licence category, full club, is 10 points below this range on 19 points, followed by the renewable limited, restaurant and café, BYO permit, and producer categories all above 10 points. Pre-retail scored only three points, and late night (packaged) and restricted club scored no points.

2009 RIS risk weightings

The current base elements of application and renewal fees are informed by analysis of risk weighting completed for the 2009 Liquor Control Reform Regulations published RIS, which details that regression analysis was used to determine the significant and relative weighting of the key risk factors.⁸⁸ Table D8.3 below presents the incremental risk weighting applied to each licence type in the 2009 RIS.

Table D8.3: 2009 RIS factors used to calculate base licence fees

Licence type or risk factor	Incremental weighting
Base fee	
General	1
On-premises	1
Restaurant and café	0.5
Late-night (general)	1
Late-night (on-premises)	1
Late-night (packaged liquor)	2
Packaged liquor	2
Full club	1
Restricted club	0.5
Pre-retail	1
Vigneron's	0.5
Renewable limited	0.5
BYO permit	0.5

Risk hierarchy

By applying packaged liquor research, previous base fee risk weightings and compliance data analysis, a four tier risk hierarchy has been created for the purpose of setting risk based base fees for applications and renewal fees.

⁸⁸ Department of Justice Liquor Control Reform Regulations Regulatory Impact Statement, August 2009

Table D8.4 is suggested as an option, based on the risk hierarchy that proposes that licence categories be grouped for the purposes of a base fee, making it simpler to understand and administer.

Table D8.4: Proposed liquor licence risk hierarchy for application and renewal base fees

Proposed Base Fee Grouping	Categories
1 Very high base fee	Packaged liquor Late night (packaged)*
2 High base fee	On-premises Late night (on-premises)
	General Late night (general)
3 Middle base fee	Full club
	Renewable limited
	Remote seller's (previously Renewable limited)
	Restaurant and cafe
	BYO Permit
	Producer
4 Low base fee	Pre-retail
	Restricted club
Not applied - flat fee only	Applications for major events (single & multiple) Applications for temporary limited licences Applications to vary a licence Applications to modify a licence

**Late-night (packaged) liquor licences were ranked in the lowest group in the risk hierarchy. However, as there are only three of these licensees in Victoria and these are not in central locations, they are being treated as an outlier and should be required to pay the same fee as other packaged liquor licences.*

Other considerations for base fees

A base fee is required to be determined for the new licence category remote seller's packaged liquor, introduced by the Amendment Act. It is proposed that this fee will be in the middle base fee. This middle base fee reflects that the licence does not have the same supply authorisations as other packaged liquor licences as it only authorises remote sales. However, it is proposed that it should not fall within the lower base fee as there are no limits on the volume of liquor supplied online. Existing licences which will fall within this new category are unlikely to have been impacted by the COVID-19 pandemic due to the nature of the business and are likely to have experienced increased sales.

In addition to these groupings, it is also suggested that the distinction between full club licences with and without gaming machines are no longer considered in base fees. Clubs with full club licences that have electronic gaming machines currently pay a higher base fee, almost double that of full club licences without.

Research has shown that there is no strong enough evidence to determine that gaming machine usage increases alcohol related harms at the licensed premises level. In addition, the base fee loading for having gaming machines is not equally applied across all licences, as it is not applied to general licences with gaming machines.

It is assumed that BYO permits are usually for venues with less than 100 patrons and it is unlikely that risk factors outside of the base fee for applications and renewals will apply.

It is further assumed that the application of risk factors outside of the base fee will not apply for pre-retail as such licensees do not sell to the community directly.

Current risk factors not adequately reflecting risk

Venue capacity

No other jurisdiction includes venue capacity as a multiplier of the licence renewal fee, rather, all jurisdictions add venue capacity as a fee to a base fee. In the current renewal model considering venue capacity as a multiplier means that all risk factors are exacerbated by the patron capacity. Whilst increased patron capacity is a relevant risk factor, there is no evidence to support the assumption that it increases all other risk factors relating to the venue.

Victoria has the most complicated venue capacity risk fee assessment in Australia, with 13 venue capacity categories. Other jurisdictions that use venue capacity include the Northern Territory (NT) with six categories, and South Australia (SA) and New South Wales (NSW) have four each.

Previous assumptions that only the largest venues posed the higher risk of alcohol harm, is not correct. Data indicates that the mid-sized venues (201-500) are the highest risk. Importantly, as the venue capacity increases, the risk of alcohol harm peaks around 300-person capacity and does not significantly reduce to pre-300-person capacity levels as the venue capacity gets larger.

It is proposed that the venue capacity risk factor is relevant in assessing risk but changes that could be considered in making it more effective are:

- incorporating venue capacity as a risk factor in applications
- simplifying the risk factor by adding it to the base renewal fee, rather than multiplying it, and
- reducing the number of venue capacity categories to apply as risk factors to applications and renewal fees.

[Attachment D18](#) provides further detail on a jurisdictional analysis of renewal fees.

Compliance history

The trigger offences which relate to a non-compliance incident are too narrow for this risk factor to be meaningful. It is generally accepted that there are enforcement difficulties in proving these offences, as noted by Victoria Police and the Commission, which is reflected in the low number of demerit points recorded. This is demonstrated in the Commission's demerit point register, which as of 9 December 2021 recorded 38 demerit points against 21 licences in the preceding three-year period.

As the non-compliance incidents relate to trigger offences which are considered the most serious offences in the LCR Act, it is unclear why this risk factor is only relevant for the preceding 12-month period prior to the issue of the annual renewal fee invoice. A non-compliance incident also leads to a demerit point, which applies to the licence for a three-year period.

It is proposed that compliance history risk fee is still relevant but how it is applied could better reflect the level of risk posed by a licence. Changes that could be considered are:

- an increased time frame for which the non-compliance incident applies, for example for three years
- a staggered approach to the level of fee applied relevant to how recent the incident occurred, with a higher fee for more recent incidents
- no longer tying the non-compliance risk fee to the trigger offences and applying it more broadly to other offences in the LCR Act.

Operating hours

The operating hours risk factor does appear to be accurately reflecting risk. The data indicates that extended operating hours are associated with increased consumption, assaults and anti-social behaviour. Data demonstrates that assaults and property offences

significantly increase in incidence after 1am. As part of an ongoing review of the freeze on late night liquor licences in inner city Melbourne, data relating to assault and property damage offences is collected from Victoria Police and the Crime Statistic Agency. This data demonstrates that within the four inner-city LGAs, Yarra, Port Phillip, Stonnington and Melbourne, there is an increase in alcohol related assaults and property damage after 1am. The rate of these offences increases from 1am onwards and begins to decline around 4am.

This is further supported by those licences with later operating hours recording a much higher rate of demerit points.

Whilst it is proposed that operating hours is still a relevant risk factor, minor changes could be considered to the trading hours at which this risk factor applies.

The Amendment Act allows certain on-premises licences (general, on-premises and restaurant and café licences) to trade until 1am as of right.

Currently, there is no operating hour risk fee that applies to restaurant and café licences. These licences are considered low risk as the predominant activity is the supply of food and they generally don't trade beyond ordinary trading hours.

Restaurant and café licences represent 28 per cent of all licences and an increasing number of restaurant and café licensees are seeking to trade later. Late-night restaurant and café licences increased by 42 per cent from 2014-2019 and the subsequent regulatory impact from this increase should be captured. Key stakeholder feedback suggests that there are a growing number of restaurant and café licences operating more like a bar in the early hours of the morning posing a greater risk from alcohol-related harm.

The operating hours risk fee is still relevant but should be adjusted to reflect changes in the Amendment Act and changes that could be considered are:

- no longer apply an operating hours fee to general and on-premises licences
- continue to apply the risk fee to late-night (general) and (late night) on-premises licences that are authorised to trade past 1am
- apply the risk fee to restaurant and café's licences authorised to trade past 1am.

Other risk factors relevant to assessing risk

Stakeholder feedback, research, data and jurisdictional scanning suggests that other risk factors could be considered relevant for assessing the level of risk posed by a licence. Other risk factors that could be considered when assessing risk are:

- floor space
- location
- density/location
- online sales
- number of outlets.

Floor space – packaged liquor

The Amendment Act identifies large packaged liquor licence applications as being high risk. This was because of the increase in liquor-related harm to local communities. Packaged liquor represents approximately 70 per cent of all alcohol consumed in Victoria. Large packaged liquor outlets offer a range of discounted products encouraging large amounts of alcohol to be purchased at one time.

Drinking packaged liquor in private residences is related to a range of harms from alcohol given there is no limit on the amount of alcohol being consumed.

The floor space of a packaged liquor store is not currently captured in the fee structure. As the venue capacity risk fee identifies the link between alcohol-related harms and the number of patrons in a premise, therefore the amount of alcohol being sold, a floor space risk fee would seek to do the same for packaged liquor licences. It would also be consistent with the level of harm a large packaged liquor outlet is considered to be in the LCR Act.

Floor space - Producers

A departmental review of a sample of distribution of producer licence areas according to their red line plan, identifies that from a sample of 90 licences; of which 77 per cent are wineries, 12 per cent are distilleries, and 11 per cent are breweries, the distribution of sizes ranges from below 50 sqm to over 2000sqm, and does not follow a normal distribution. Based on this analysis, it is suggested that a floor space differentiate based on two categories of size, small (<150sqm) and large (>150sqm) could apply as a floor space risk factor for applications and renewals for a producer's licence.

Location

The Amendment Act allows for regulations to be made that prescribe fees that differ according to the geographical location of the licensee, permittee or licensed premises. This allows support to be directed to those who need it the most.

Density/location

A variety of research and evidence from Victoria Police shows a strong connection between the density of liquor licence venues, the availability of alcohol late at night and alcohol-related harm. High-risk densely populated entertainment precincts are responsible for a large proportion of alcohol-related harm and require the greatest concentration of regulatory effort.

The liquor licence freeze in place for four inner-city municipalities in Melbourne recognises the harm associated with concentrated entertainment precincts. The LCR Act also allows the Commission, in consultation with the Chief Commissioner of Police to determine designated areas. These designated areas are areas where alcohol-related harm or disorder occurs within 100m of a licences premises and allows troublemakers to be banned from these areas.

NSW applies a fixed fee location risk loading for venues with a poor compliance history in high-risk areas (Sydney CBD and Kings Cross). Similarly, SA applies a fixed fee for venues operating within a prescribed location (Hindley Street).

Western Australia precludes licence applications which authorise package liquor sales from being considered where there is an existing packaged liquor outlet with 5km (metro) or 12km (all other regions) and the floor space exceeds 400sqm.

Identifying similar areas where there is a high density of licensed premises with a high-level of alcohol-related harm could be considered suitable in assessing the risk posed by a licence.

Online sales

The liquor industry and consumer preferences are evolving, and the volume of liquor supplied online is rapidly growing. All licences with authorisations to supply packaged liquor for consumption off-premises can supply liquor online, however it is recognised that not all eligible licences do undertake this activity.

The Amendment Act introduces measures aimed at reducing the potential for alcohol-related harm from online supply. It is a requirement for licensees to notify the Commission that they wish to undertake this activity. These measures recognise that online supply does pose specific risks, especially the potential for inappropriate supply to intoxicated persons and minors.

The ability to supply liquor online could be considered a relevant risk factor.

Packaged liquor – number of outlets

Packaged liquor is considered to be high-risk due to the large volume of packaged liquor consumed in Victoria and the likely significant harm in the community. However, it is recognised that not all packaged liquor outlets present the same level of harm and that some larger operators with multiple licensed outlets will be responsible for a significantly greater proportion of harm in the community. Large operators with multiple outlets present

more opportunities for alcohol-related harm due to their ability to offer a range of discounted products encouraging large amounts of alcohol to be purchased at one time. The capacity of packaged liquor licensees who operate multiple venues to offer excessive discounts and incentives for bulk purchases is increased due to the size and nature of its operation as opposed to a small scale packaged liquor store with only one outlet.

NSW and SA recognise the number of packaged liquor outlets as a factor in their licence fee structures. The NSW base fee distinguishes between and imposes an increasing fee to packaged liquor licences with 1-3 outlets (\$573), 4-9 outlets (\$1144) and 10+ outlets (\$2286). SA imposes a fixed fee to packaged liquor licences for 0-5 outlets (\$2965), 6-10 outlets (\$4025) and 11+ (\$7308). QLD charge a fixed fee (\$1508) to commercial special facility licences (casinos, airports, convention centres and other tourism businesses, excluding sporting facilities) for each liquor outlet above 10.

The number of outlets operated by the licensee could be considered a relevant risk factor.

Attachment D9: Prescribed fee units under the current regulations

Table D9 outlines the prescribed fee units under the Current Regulations. Applications also include those that are for varying a licence, such as changes in licensed area or size of the premises, a change in the hours of operation or a change of the general conditions of the licence or permit in Victoria.

Table D9: Schedule of liquor licence application fees (July 2022)

Licence Application Grouping	Details	Fee	Prescribed fee units
Application for a new licence	Late-night (general)	\$496.00	32.44
	Late-night (on-premises)	\$496.00	32.44
	Late-night (packaged liquor)	\$496.00	32.44
	On-premises	\$496.00	32.44
	Restaurant and café	\$496.00	32.44
	General	\$496.00	32.44
	Packaged liquor	\$496.00	32.44
	Full club	\$496.00	32.44
	Restricted club	\$496.00	32.44
	Pre-retail	\$496.00	32.44
	Producer's	\$496.00	32.44
	Renewal limited	\$496.00	32.44
	Remote seller's packaged liquor licence	\$496.00	32.44
Application for a BYO permit	BYO permit	\$266.50	17.43
Application for a temporary limited licence	Temporary limited – holds existing licence/permit other than temporary limited licence or a major event licence	\$118.30	7.74
	Temporary limited – where the applicant does not hold an existing licence/permit other than temporary limited licence or a major event licence	\$63.90	4.18
Application for a major event – single applicant	Major event where a single applicant makes one or more licence application in relation to the event (e.g., Formula 1 Australian Grand Prix)	\$1018.30	66.6
Application for a major event – multiple applicants	Major event where multiple applicants make licence applications in relation to the event (e.g., licences in respect to the St. Kilda Festival)	\$152.70 per application	9.99
Application to modify a licence	Variation of licence or BYO permit	\$223.50	14.62
	Amalgamated club	\$223.50	14.62
	Approval of nominee or director	\$223.50	14.62
	Relocation of licence or BYO permit	\$223.50	14.62
	Transfer of licence or BYO permit	\$223.50	14.62
	Temporary underage authority for an entertainment event	\$223.50	14.62
Application for promotional event authorisation	Producer's licence. This fee applies when the promotional event authorisation is the only extra condition to be added. If other conditions are also to be changed, the standard variation fee will apply.	\$118.30	7.74

Source: Victorian Commission for Gambling and Liquor Regulation, Liquor licensing fact 20 September 2022 and *Liquor Control Reform Interim Regulations 2022* Schedule 1 – Fees.

Note: Fee per unit - \$15.29 https://www.dtf.vic.gov.au/financial-management-government/indexation-fees-and-penalties_fee_per_unit_from_july_2022

Attachment D10: Estimated equivalent regulatory effort in assessing and processing applications by the Commission

Table D10 provides the estimated equivalent regulatory effort of the Commission in assessing and processing applications against a base time unit of one (4.18 prescribed fee units as allocated to a temporary limited licence / equivalent estimate of 8 days).

Table D10: Estimate of regulatory effort of the Commission for assessing and processing liquor licence applications.

Licence Application Grouping	Details	Prescribed fee units	Equivalent estimate of regulatory effort
Application for a new licence	Late-night (general)	32.44	8
	Late-night (on-premises)	32.44	8
	Late-night (packaged liquor)	32.44	8
	On-premises	32.44	8
	Restaurant and café	32.44	8
	General	32.44	8
	Packaged liquor	32.44	8
	Full club	32.44	8
	Restricted club	32.44	8
	Pre-retail	32.44	8
	Producer's	32.44	8
	Renewal limited	32.44	8
Application for a BYO permit	BYO permit	17.43	4
Application for a temporary limited licence (TLL)	Temporary limited – holds existing licence/permit other than TLL or a major event licence	7.74	2
	Temporary limited – where the applicant does not hold and existing licence/permit other than TLL or a major event licence	4.18	1
Application for a major event – single applicant	Major event where a single applicant makes one or more licence application in relation to the event (e.g., Big Day Out)	66.6	16
Application for a major event – multiple applicants	Major event where multiple applicants make licence applications in relation to the event (e.g., licences in respect to the St. Kilda Festival)	9.99	2
Application to modify a licence	Variation of licence or BYO permit	14.62	3
	Amalgamated club	14.62	3
	Approval of nominee or director	14.62	3
	Relocation of licence or BYO permit	14.62	3
	Transfer of licence or BYO permit	14.62	3
	Temporary underage authority for an entertainment event	14.62	3
Application for promotional event authorisation	Producer's licence. This fee applies when the promotional event authorisation is the only extra condition to be added. If other conditions are also to be changed, the standard variation fee will apply.	7.74	2

Source: Victorian Commission for Gambling and Liquor Regulation estimates of effort October 2021 and *Liquor Control Reform Interim Regulations 2022 Schedule 1 – Fees*.

In review of the effort comparison for liquor licence applications, the Commission reviewed the unit allocations and provided feedback that in general, the fee units are an accurate estimate of the average time/effort required to assess and determine an application however some matters are raised below for further consideration:

- **Variation applications:** the time and resourcing required to assess and determine variation application is more akin to that of a new licence application. Variation applications can incorporate changes to redline plans/licensed areas, patron capacities, licence conditions or changes in category. Most variation applications require an amended planning permit, and all applications are served to Victoria Police and Local Council and have a public display period meaning there is the same potential for objections as a new licence application. The regulatory effort weighting assigned for licence variations may be considered closer to that of a new restaurant and café licence, but slightly less given there is not a suitability requirement.
- **Relocation applications:** It is considered that a relocation application may warrant a higher regulatory effort weighting. As with a variation application, a regulatory 'effort' weighting closer to a new restaurant and café licence application may be appropriate, noting that there is no suitability requirement for a relocation application. This application also includes the assessment of a new premises and location, increasing its complexity. Relocation applications require relevant planning permission, public display and serving on Victoria Police and Council meaning there is the same potential for objections as a new licence application. Further, a new red line plan needs to be assessed and endorsed.
- **Temporary licences:** There is a broad spectrum of event types captured by temporary licences that may not be adequately covered in the current structure. Of note 'Application for a major event - multiple applicants' requires significant communication with the event organiser throughout the application process to understand the activities of each vendor and to develop bespoke conditions to accurately reflect the intended operation of the event and ensure that respective vendor licences do not come into operational conflict with each other. Some examples of major event multi: St Kilda festival, Great Beer Spectacular, Formula 1 GP, Melbourne Cup. It is considered that the 'effort' weightings for this application type could increase to reflect this complexity (perhaps to 4-6).

Within the applications assigned a weighting of eight units, there is room for further differentiation, notably:

- **Late-night general and late night on-premises:** These applications are most likely to be subject to objections and relate to trade associated with the highest risk of harm. In 2019, while there were only four applications received for a new late-night (general) and late night (on-premises) licence with one objection, the capacity for objections can be seen in variation applications relating to these licence types. In 2019, 26 per cent of variation applications relating to late-night (general) licences, and 16 per cent of late night (on-premises) licences, were subject to an objection. It is considered that the regulatory effort weighting for these applications could be increased to 10 or 12. In certain locations these licence types also require an assessment against the 'late night freeze' decision making guidelines, adding to the complexity of the assessment.
- **Packaged liquor:** The assessment of PLL applications can also be complex with recent examples of significant council and community interest in these applications. It is noted that applications for new large-packaged liquor outlets have a new high risk application process as contained in the Amendment Act. It is suggested that applications subject to this application process have their own fee (and regulatory effort weighting) that is higher than currently. This reflects the requirement for large-packaged liquor licence applications to provide a Community Impact Assessment and expanded grounds for council to object to the application, both of which need to be considered in the assessment. For all other packaged liquor licence applications, the current regulatory effort weightings should remain.

- *Applications for endorsement, letting or sub-letting and control of business of supply of under the LCR Act.* Sections 105(1A) and 106(1A) of the LCRA requires applications by a licensee to let/sublet or to permit another person to carry on a business of supplying liquor on the licensed premises to be accompanied by the fee specified in the regulations. Similarly, sections 80(3) and 81(2) also requires endorsement applications by administrators and owners/mortgagees to be accompanied by a prescribed fee. No fees are currently prescribed in Schedule 1 of the Regulations for the above applications. The regulatory effort estimated by the Commission to process these applications is similar to applications to transfer a licence or permit. Specifically, the application processes typically involve referral of the application to Victoria Police for comment. In the case of section 105/106 applications, delegates are also required to conduct a detailed review of the lease/sub-lease or management agreement submitted by the applicant.

Attachment D11: Jurisdictional comparison of application fees

South Australia (SA) and New South Wales (NSW) are identified as the jurisdictions that have most recently introduced regulatory change to their respective liquor licence applications and compliance systems. In general, a comparison of liquor application fees highlights:

- SA applies a base charge for a new licence and then optional charges for additions e.g., for extension of a trading area to sell liquor to be consumed on a footpath or similar outdoor area that is not part of an applicant's premises.
- NSW total application fee per licence type comprises two charging elements: a licence fee and processing cost. The processing fee component is non-refundable in the event the application is withdrawn or not granted.
- Victoria's application process applies a single charge per application, there are no optional charges for additions. Liquor licence application fees are generally not refunded on the grounds that an application is withdrawn by the applicant.

Table D11 provides a comparison of aggregate application fees for an extract of licence applications for Victoria against similar application fees for the example jurisdictions of SA and NSW.

Table D11: Comparison of liquor licence application fees for Victoria to SA and NSW application fees for an example set of licence application types.

Liquor Licence Applications - Examples	Victoria	South Australia	NSW
Restaurant and Café – Application charge	\$496.00	\$646.00	\$813.00
General – Application charge	\$496.00	\$656.00	\$813.00
General – Community impact assessment (additional charge if required)	N/a	\$143.00	N/a
Packaged Liquor – Application charge	\$496.00	\$656.00	\$2324.00
Packaged Liquor– Community impact assessment (additional charge if required)	N/a	\$143.00	N/a
Club – Application charge	\$496.00	\$656.00	\$581.00
Club – Community impact assessment (additional charge if required)	n/a	\$143.00	n/a
Temporary Limited – Application charge (single event for existing licence)	\$118.30	\$99.00	\$174.00
Variation of licence - (e.g., change name)	\$223.50	\$143.00	\$116.00
Variation of licence (e.g., trading hours to midnight)	\$223.50	\$656.00	\$349.00

Sources:

- [Liquor licence application fees . \(vgccc.vic.gov.au\)](https://vgccc.vic.gov.au) accessed January 2023
- [Apply for a liquor licence \(www.sa.gov.au\)](http://www.sa.gov.au) accessed January 2023
- [Liquor licence types - Liquor & Gaming NSW](https://www.lgms.nsw.gov.au) accessed January 2023

Attachment D12: Application fees - General data assumptions applicable to options A1 and A2

- **The estimated total cost for recovery through application fees is \$4.73 million.** Table D7.1 provides a summary of costs for recovery through application fees against current costs for the Commission for assessing and processing liquor licence applications.
- **The overall number of applications and number of applications per licence type is assumed to be the same as 2019-20 (16,078).**^{89 90} The period is viewed as a period before the impact of COVID-19 was felt on the liquor industry, and as such, reflective of a usual year for the industry. The 2019-20 data was found to be comparable to the overall averages of application data for the period 2018-21.
- Licence applications received for the newly created remote seller's **PLL category is assumed to be 22 per cent of those applications previously processed as a renewal limited licence (RLL)** (102 of the 464 RLL applications for 2019-20). This is based on an estimate by the Commission of the number of RLL licences estimated to require transfer to the new remote seller's PLL category.
- In estimating the relative proportions of forecasted applications that would be newly classified as **small, medium, or large (in terms of patron capacity) under Option A1**, DJCS used the corresponding shares of existing licences as a proxy. This methodology was applied to ascertain the number of applications for each size relating to on-premises, general, restaurant and café, and Full Club licences to estimate the amount of fees that would be collected from these applications.
- For producer licences DJCS conducted an analysis of 'redline plans' to ascertain the distribution of producer floor space (m²) by venue. The analysis revealed that the distribution of size of producers' redline plans was bi-modal, with clusters appearing around 50-100m² and 200-399m². **The new size categories of small (<150m²) and large producers (>150m²)** is based on this finding.
- The number of applications for **remote seller licences**, a new category, was assumed to be two for small applicants (<750m²) and one for large applicants (>750m²). No available data was available to make a more accurate estimate, however, DJCS believes this estimate to be conservative, though, in-line with anecdotal reports supplied by the Commission.
- The number of applicants for non-licensee **temporary limited licences that are registered charitable organisations** was assumed to be nine per cent of total applications for this liquor licence category in 2019-20. Data needed to obtain a more accurate estimate was not available to DJCS.
- Objections to applications, excluding the large PLL application, are assumed to remain in line with the reference case, at one per cent of determined applications as averaged from published liquor licence applications data of Commission annual reports for the period 2018-21.
- **Applications received for large PLL that would previously be processed as packaged liquor is assumed to be one per annum.** PLL applications for premises greater than 750 sqm are assumed to be mainly sought in population growth corridors located primarily in outer metropolitan Melbourne, given the current access to large outlets that already exists in metropolitan Melbourne and in regional Victoria. The

⁸⁹ Commission - new applications received by prescribed categories - 1 July 2019 to 30 June 2020 (as supplied November 2021).

⁹⁰ Commission - applications received for endorsements, letting or sub-letting and control of a business of supply of liquor 1 July 2019 to 30 June 2020 (as supplied January 2022).

assumption of one application per annum is based on recent years' information from the Commission and an assumed continuation that growth will occur almost entirely in population growth corridors. It is assumed that no variations are sought from current licenses to expand premises to 750 sqm and that 100 per cent of large PLL applications are objected to on harm grounds.

- **There is a financial cost in an applicant preparing a large PLL application inclusive of a Community Impact Statement (CIS)** that addresses the positive and negative social and economic impacts of the proposed application on the community. The Commission will determine the actual information and analysis required for a CIS. However, there are some assumptions that can be made about the nature of the CIS. These are:
 - Applicants for large PLL application will have to consult with local council (assuming it would have to anyway with a planning permit); and conduct a random survey of at least 200 local residents as identified within the Local Government Area (LGA) and a neighbouring LGA as appropriate.
 - An economic assessment of employment and other economic impacts be provided.
 - An analysis of harm arising from the misuse and abuse of alcohol that is already present in that area and what additional harm may result from the application with any suggestions the applicant would have of ameliorating that harm.
- The community survey that is required in a large PLL application will be undertaken by a professional research firm and estimated to cost \$50,000 for a survey sample of at least 200 residents. This would include a report provided by the supplier.
- The hours required for a whole large PLL application to the Commission is assumed to be 120 hours for a professional (base rate of \$57.90 plus 23 per cent on costs) and 40 hours for a manager (base rate of \$65.10 plus 23 per cent on costs)⁹¹ ⁹² per application.
- Applicants whose applications are objected to will bear both the cost of responding to the objection and the delay cost from the objection process. The cost of responding to the objection is likely to be relatively low as the rigorous CIS process is likely to have resulted in most of the relevant information being collected. DJCS estimates that applicants will incur an average of eight hours of manager time and 14 hours of professional time to respond to an objection. The period for the objection process is likely to be up to six months for a large PLL application that is most likely to result in a Victorian Civil and Administrative Tribunal (VCAT) hearing.
- The estimated cost for Victoria Police in preparing for and attending VCAT for an objection to an application is \$16,140. It is assumed that the cost incurred will be similar for industry.
- VCAT charge both an application fee and a daily hearing fee. Based on fees set out on VCAT's website,⁹³ and assuming an average hearing duration of eight days, the estimated hearing cost for the large PLL application for industry is \$7,600.
- It is estimated that foregone profit for the six-month period for which a large PLL application objection is progressed is \$1,248,000.⁹⁴

⁹¹ [ABS Employee Earnings and Hours, Australia, May 2021](#) – non-managerial employees: Average weekly total hours paid for, Average hourly total cash earnings and Average weekly total cash earnings - Occupation, January 2022

⁹² 23 per cent on costs based on DJCS budgeting guidelines.

⁹³ [Application, hearing and other fees for VCAT services | VCAT \(accessed February 2023\)](#). Estimate based on application fee (\$1177.30) and daily hearing fee for a hearing of eight days duration (Hearing fee Days 1 – 4 of \$535.30 and Hearing fee Days 5 – 8 of \$1070.30).

⁹⁴ Revenue estimate of at \$2,080,000 from revenue estimate of 400,000 per week for 52 weeks from Woolworths using an IBISWorld profit ratio of 10 per cent and equates to \$1,248,000 for a six-month period (estimated forgone profit of \$208,000 x 6 months).

- An estimate of time for complying with the requirements of the regulations for lodging of a liquor licence application besides a large PLL application CIS is not applied in the analysis. It is considered that required information is either readily available (for example name and address) or required to be obtained for other purposes (for example, the planning permit).
- Potential administrative cost reductions to applicants no longer required to seek applications or variations to trade to 1am are assumed to be minimal and therefore excluded from analysis. Venues still have to abide by laws governing noise and the conditions on their planning permits. Licences that are subject to a planning permit that stipulates operating times that are less than until 1am will have to apply to vary their planning permit to exercise their right to trade to 1am. Relevant councils will consider local amenity issues in deciding whether to vary the planning permit or not consistent with their obligations under the *Planning and Environment Act 1987*. Discussions with the Municipal Association of Victoria indicate there is no single source of information that can be used to assess the number of possible planning variations.

Applications and estimates of recovery of costs through application fees

- Table D12.1 provides the number of applications processed, and the application charge amount paid for the period July 2019 to 30 June 2020 as provided by the Commission. This period is viewed as 'normal' circumstances (i.e., pre COVID).
- Table D12.1 does not include data for the amendment for high-risk applications and newly created remote seller's PLL. Licence applications for such categories being generally processed through an application for a large PLL application and through a renewal limited licence (RLL) for remote selling of liquor.

Table D12.1: Liquor Licence applications processed, and charges received (2019-20 Financial Year)⁹⁵

Category groups	Application type	Details	Fee	Units	No. of apps	Total application fees (\$ AUD)	% share of total fees
1	Application for a new licence	Late night (general)	\$487.60	32.44	4	\$1,950.40	0.07%
		Late night (on-premises)	\$487.60	32.44	0	\$0.00	0.00%
		Late night (packaged liquor)	\$487.60	32.44	1	\$487.60	0.02%
		General	\$487.60	32.44	63	\$30,718.80	1.13%
		On-premises	\$487.60	32.44	89	\$43,396.40	1.60%
		Restaurant and café	\$487.60	32.44	446	\$217,469.60	8.02%
		Packaged liquor	\$487.60	32.44	63	\$30,718.80	1.13%
		Full club	\$487.60	32.44	2	\$975.20	0.04%
		Restricted club	\$487.60	32.44	0	\$0.00	0.00%
		Pre-retail	\$487.60	32.44	206	\$100,445.60	3.70%
		Producer's	\$487.60	32.44	48	\$23,404.80	0.86%
		Renewable limited	\$487.60	32.44	464	\$226,246.40	8.34%
		Amendment Act change	Packaged liquor - high risk application*		\$0.00	0	0
	\$0.00			0	0	\$0.00	0.00%
2	Application for a BYO permit	Newly created category	\$0.00	0	0	\$0.00	0.00%
		BYO permit	\$262.00	17.43	55	\$14,410.00	0.53%
3	Application for a temporary limited licence	Temporary limited - holds existing licence/permit	\$116.30	7.74	5459	\$634,881.70	23.41%
		Temporary limited - No existing licence/permit	\$62.80	4.18	3930	\$246,804.00	9.10%
4	Application for a major event - single applicant	Major event - single application	\$1,001.00	66.6	126	\$126,126.00	4.65%
5	Application for a major event - multiple applicants	Major event - multiple applicants	\$150.10	9.99	439	\$65,893.90	2.43%

⁹⁵ Victorian Commission for Gambling and Liquor Regulation (October 2021 and January 2022)

Table D12.1 (cont.): Liquor Licence applications processed, and charges received (2019-20 Financial Year)⁹⁶

Category groups	Application type	Details	Fee	Units	No. of apps	Total application fees (\$ AUD)	% share of total fees
6	Application to modify a licence	Variation of licence or BYO permit	\$219.70	14.62	674	\$148,077.80	5.46%
		Amalgamated club	\$219.70	14.62	0	\$0.00	0.00%
		Approval of nominee or director	\$219.70	14.62	1886	\$414,354.20	15.28%
		Relocation of licence or BYO permit	\$219.70	14.62	85	\$18,674.50	0.69%
		Transfer of licence or BYO permit	\$219.70	14.62	1633	\$358,770.10	13.23%
		Temporary underage authority	\$219.70	14.62	10	\$2,197.00	0.08%
		Producer's licence - application for promotional event authorisation.	\$116.30	7.74	7	\$814.10	0.03%
N/a	Newly requested application types (ss80 and 81)	Endorsement application by administrators and owners/mortgagees.	\$0.00	0	60	\$0.00	0.00%
N/a	Newly requested application types (s105)	Letting or sub-letting	\$0.00	0	11	\$0.00	0.00%
N/a	Newly requested application types (s106)	Control of business of supply of liquor	\$0.00	0	317	\$0.00	0.00%
		Sub total			16078	\$2,706,816.90	
	Not described in prescribed fees - Schedule 1	Multi - existing from TLL	\$33.80	2.25	25	\$845.00	0.03%
		Single - existing from TLL	\$887.70	59.06	3	\$2,663.10	0.10%
		Multi - non licensee from TLL	\$87.30	5.81	4	\$349.20	0.01%
		Single - non licensee from TLL	\$938.20	62.42	2	\$1,876.40	0.07%
		Total			16,112	\$2,712,550.60	100.00%

Estimated costs to industry in preparing for and responding to an objection received to a high-risk application

- Table D12.2 provides a summary of estimated costs to industry in preparing for and responding to an objection received to a high-risk licence application.

Table D12.2: Estimated costs for industry in preparing and responding to a high-risk application PLL objection

Objection to high-risk application - required actions/costs for industry					Sub total	\$Amount
CIS survey and report						\$50,000
Industry costs in preparing application	Base Rate	On costs	Hours		\$2,463	\$2,463
Manager rate	\$65.10	23%	40	\$599		
Professional rate	\$57.90	23%	140	\$1,864		
Industry costs in responding to objection						
Manager rate	\$65.10	23%	8	\$120	\$306	\$23,721
Professional rate	\$57.90	23%	14	\$186		
Costs of preparing and attending hearing	\$16,140.00				\$16,140	
VCAT costs	Rates	Total fee			\$7,274	
Application fee	\$961.60	\$961.60				
Hearing fee Days 1 - 4	\$526.10	\$2,104.40				
Hearing fee Days 5 - 8	\$1,052.10	\$4,208.40				
Foregone profit over objection process time						\$1,248,000
Objection process period	180 days					
Average annual profit	\$2,080,000					
Estimated foregone profit from delay in granting of application (10%)	\$208,000					
Total industry cost per objection						\$1,324,184

⁹⁶ Victorian Commission for Gambling and Liquor Regulation (October 2021 and January 2022)

Attachment D13: Option A1 category groupings, prescribed fees units and fee charge per application type

Table D13 details the distribution of prescribed fee units and charges per application by licence type and total recovery of costs based on the number of applications received per licence type under Option A1 based on 2019-20 FY data provided by the Commission.

Table D13: Option A1– Prescribed fee units, application fee charges and total costs recovered by licence types

Application grouping	Risk level	Application Type	Option A1 - Prescribed fee unit	Option A1 - Proposed fee amounts	Reference case - current fees	% Difference
Application to vary a licence	n/a	Producer promotion	10.00	\$152.90	\$118.30	29.2%
	n/a	Variation to licence	15.00	\$229.35	\$223.50	2.6%
Application for a limited licence or major event licence	n/a	Major event - multiple applicants	30.00	\$458.70	\$152.70	200.4%
	n/a	Major event - single applicant	200.00	\$3,058.00	\$1,018.30	200.3%
	n/a	Renewable limited licence	44.00	\$672.76	\$496.00	35.6%
	n/a	Temporary limited licence - existing licensee	15.00	\$229.35	\$118.30	93.9%
	n/a	Temporary limited licence - non-licensee	6.00	\$91.74	\$63.90	43.6%
	n/a	TLL charitable - non-licensee (charities only)	0.00	\$0.00	n/a	n/a
Application for a new licence or BYO permit	Low	Pre -retail	20.00	\$305.80	\$496.00	-38.3%
	Low	Restricted club	15.00	\$229.35	\$496.00	-53.8%
	Middle	BYO permit	20.00	\$305.80	\$266.50	14.7%
	Middle	Full club large	50.00	\$764.50	\$496.00	54.1%
	Middle	Full Club medium	40.61	\$620.88	\$496.00	25.2%
	Middle	Full Club small	30.00	\$458.70	\$496.00	-7.5%
	Middle	Producer's large	30.00	\$458.70	\$496.00	-7.5%
	Middle	Producer's small	19.87	\$303.80	\$496.00	-38.8%
	Middle	Remote Seller's Large	75.00	\$1,146.75	\$496.00	131.2%
	Middle	Remote seller's small	40.00	\$611.60	\$496.00	23.3%
	Middle	Restaurant and café - large	60.00	\$917.40	\$496.00	85.0%
	Middle	Restaurant and Café - medium	44.00	\$672.76	\$496.00	35.6%
	Middle	Restaurant and café - small	30.00	\$458.70	\$496.00	-7.5%
	High	General Large	75.00	\$1,146.75	\$496.00	131.2%
	High	General Medium	44.00	\$672.76	\$496.00	35.6%
	High	General Small	40.00	\$611.60	\$496.00	23.3%
	High	LN General large	135.00	\$2,064.15	\$496.00	316.2%
	High	LN General medium	82.50	\$1,261.43	\$496.00	154.3%
	High	LN General small	75.00	\$1,146.75	\$496.00	131.2%
	High	On-premises large	49.98	\$764.16	\$496.00	54.1%
	High	On-premises medium	45.81	\$700.48	\$496.00	41.2%
	High	On-premises small	40.00	\$611.60	\$496.00	23.3%
	High	LN On-premises large	135.00	\$2,064.15	\$496.00	316.2%
	High	LN On-premises medium	82.50	\$1,261.43	\$496.00	154.3%
	High	LN On-premises small	75.00	\$1,146.75	\$496.00	131.2%
	Very high	Packaged LL small	100.00	\$1,529.00	\$496.00	208.3%
	Very high	Packaged LL large	165.00	\$2,522.85	\$496.00	408.6%
	Very high	LN Packaged LL small	330.00	\$5,045.70	\$496.00	917.3%
Very high	LN Packaged LL large	660.00	\$10,091.40	\$496.00	1934.6%	

Attachment D14: Option A2 category groupings, prescribed fee units and application fee charge per licence type

Table D14 details the distribution of prescribed fee units and charges per application by licence type and total recovery of costs based on the number of applications received per licence type under Option A2 based on 2019-20 FY data provided by the Commission.

Table D14: Option A2 – Prescribed fee units, application fee charges and total costs recovered by licence types

Category grouping	Application type	Revised effort estimate per licence type	No. applications processed	Prescribed fee units	Application fee per licence	Cost recovery \$ amount	
1	Application for a large packaged liquor licence	Packaged liquor (large) - high risk application	16	1	110.92	1695.97	\$1,696
2	Application for a new late-night licence	Late night - general	10	4	69.33	1060.06	\$4,240
		Late night - on premises	10	0	69.33	1060.06	\$0
		Late night - packaged liquor - non-standard hours	10	1	55.46	847.98	\$848
3	Application for a new licence (standard)	General	8	63	55.46	847.98	\$53,423
		On-premises	8	89	55.46	847.98	\$75,471
		Restaurant and café	8	446	55.46	847.98	\$378,201
		Packaged liquor - standard hours	8	62	55.46	847.98	\$52,575
		Full club	8	2	55.46	847.98	\$1,696
		Restricted club	8	0	55.46	847.98	\$0
		Pre-retail	8	206	55.46	847.98	\$174,685
		Producer's	8	48	55.46	847.98	\$40,703
		Renewable limited	8	362	55.46	847.98	\$307,304
		Packaged liquor- online vendor only	8	102	55.46	847.98	\$86,160
4	Application for a BYO permit	BYO permit	4	55	27.73	423.99	\$23,320
5	Application for a temporary limited licence	Temporary limited - holds existing licence/permit	2	5459	13.87	212.07	\$1,157,703
		Temporary limited - No existing licence/permit	1	3930	6.93	105.96	\$416,422
6	Application for a major event - single applicant	Major event - single application	16	126	110.92	1695.97	\$213,692
7	Application for a major event - multiple applicants	Major event - multiple applicants	2	439	13.87	212.07	\$93,100
8	Application to modify a licence	Variation of licence or BYO permit	5	674	34.66	529.95	\$357,187
		Relocation of licence or BYO permit	5	85	34.66	529.95	\$45,046
		Variation - Amalgamated club	3	0	20.8	318.03	\$0
		Variation - Approval of nominee or director	3	1886	20.8	318.03	\$599,808
		Variation - Transfer of licence or BYO permit	3	1633	20.8	318.03	\$519,346
		Variation - Temporary underage authority	3	10	20.8	318.03	\$3,180
9	Application for a producer's licence	Producer's licence	2	7	13.87	212.07	\$1,485
10	Endorsement application	Endorsement application by administrators and owners/mortgagees.	3	60	20.8	318.03	\$19,082
11	Application for letting or sub-letting	Application for letting or sub-letting	3	11	20.8	318.03	\$3,498
12	Application for control of business of supply of liquor	Application for control of business of supply of liquor	3	317	20.8	318.03	\$100,816
Total				16078			\$4,730,686
Percentage total costs recovered							99.99%

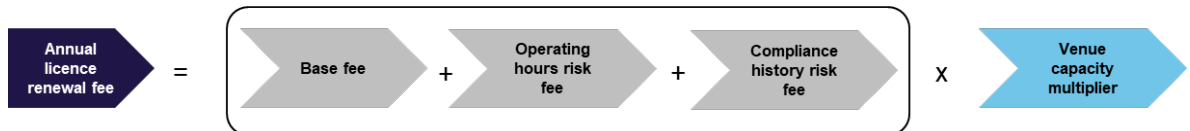
Attachment D15: Current liquor licence renewal fees model

The Regulations prescribe the liquor licence renewal fee structure. It is a differentiated risk model which aims to recover the costs of regulating the liquor industry and achieve the Victorian Government's objective to impose fees that reflect the levels of risk posed by different types of licences and the broader risk of alcohol-related harm. The different levels of risks associated with different licence types is tied to the different supply conditions of each licence (for example the conditions to supply alcohol under a restaurant and café licence are different to those under a general licence).

It comprises a base fee for each licence category and a range of risk fees for identified risk factors: late opening hours, poor compliance history and venue capacity.

The annual renewal licence fee calculation is:

- base fee
- plus, Operating hours fee (if applicable)
- plus, Compliance history risk fee (if applicable)
- total of the above multiplied by venue capacity multiplier.



Base fee

The base fee is a set fee for each licence category prescribed in the Regulations. The base fees were set to reflect the level of risk posed by each licence category according to evidence and the recovery of regulatory compliance and monitoring costs as associated with the level of risk.

Risk factors

In calculating the payable annual liquor licence renewal fee, risk factors are added to the base fee. The risk factors were developed by identifying relevant characteristics and practices that are associated with a higher risk of alcohol-related harm based on evidence.

Operating hours

The operating hours risk fee is a prescribed fee that applies to certain licence categories, relative to the hours outside of ordinary trading hours which they are authorised to operate. Operating hours are considered to be a risk factor because the evidence shows that the availability of alcohol, particularly during the period from midnight to 5.00 am, increases the likelihood of harm from alcohol misuse. In addition, regulatory effort is focused particularly on those premises that operate late at night under a licence with additional trading hours.

Compliance History

The compliance history risk fee applies to all licence categories and is a set fee based on the number of non-compliance incidents that occurred in the year preceding the annual renewal fee. A non-compliance incident is a paid infringement or successful prosecution of any of six specific offences, collectively referred to as trigger offences. Trigger offences are serious offences considered to be 'more directly linked to alcohol-related harm and licensee behaviour' and are offences relating to serving minors, intoxicated people and permitting drunk persons on the premises.

Compliance history is considered a risk factor as it is generally recognised that a licensee’s compliance history is an indicator of future behaviour. The RIS completed for the 2009 Regulations (2009 RIS) notes that ‘analysis of Victorian data on licensee’s compliance history regarding infringements for serving an intoxicated person or permitting a drunk or disorderly person on the premises suggests that licensees that have been issued with at least one infringement for these offences in the last three years are more likely to have anti-social behaviour offences at their premises’.

Venue Capacity

Venue capacity is a multiplier based on patron capacity that applies to certain licence categories. It is deemed to be a risk factor as larger venues are more likely to be associated with harm due to the increased number of patrons. The 2009 RIS analysis of literature recognised that the pattern of risk increases as the venue size increases.

Number of Patrons	Multiplier	Number of Patrons	Multiplier	Number of Patrons	Multiplier
0-200	1	501-600	2	901-1000	3
201-300	1.25	601-700	2.25	1001-1100	3.25
301-400	1.5	701-800	2.5	1101-1200	3.5
401-500	1.75	801 -900	2.75	1201-1300	3.75
				1301+	4

Published Factsheet

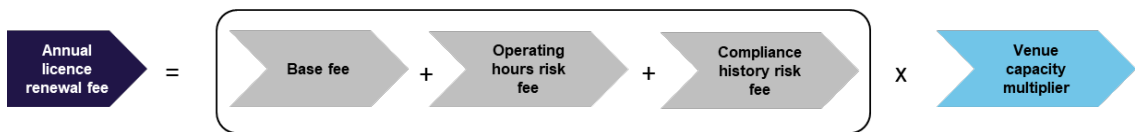
A copy of the Commission’s current published factsheet is provided at www.vgccc.vic.gov.au.

Attachment D16: Reference case (status quo)

This option would maintain the current model, but incorporate the changes required by the Amendment Act, notably a new base fee for remote seller's PLL. This option provides a differentiated risk-based model with minimal changes to the renewal fees structure. This option would provide consistency and certainty to stakeholders about fees payable. However, this option is not recommended as it does not address any concerns with the current structure and does not recoup regulatory costs.

Maintaining the status quo does not take into consideration stakeholder feedback that agreed that a risk-based fee structure is a good policy idea, although most agreed that the current structure and design of the risk factors is not appropriate.

The RIS letter of adequacy when the current structure was introduced in 2009 noted that there were data limitations that may have impacted on the assessment of the level of risk posed by different licence groups. This option does not consider the comprehensive data available today to develop a fee structure that is fit for purpose.



Late night (general)	68.01 fee units	272.02 fee units	272.03 fee units	Venue capacity multiplier applies based on the applicable patron capacity as per the table below.
Late night (on-premises)	(\$1039.90)	(\$4159.30) if not authorised to trade past 3am or 544.05 fee units (\$8318.5) if authorised to trade past 3am	(\$4159.30) if one or two or 544.05 fee units (\$8318.50) if three or more relevant paid infringements and/or successful prosecutions have occurred during the 12-month period (1 October – 30 September) prior to the issue of the annual renewal fee invoice.	
General On-premises General licences that only supply liquor for consumption off the premises will incur fees equivalent to a packaged liquor licence.	68.01 fee units (\$1039.90)			
Restaurant and café Restricted club	16.74 fee units (\$256.00)	N/A		
Full club	Without gaming machines 33.47 fee units (\$511.80) With gaming machines 68.01 fee units (\$1039.90)	N/A		Venue capacity multiplier applies to these licence categories if the compliance history risk fee applies.

Packaged liquor Late night (packaged liquor)	136.01 fee units (\$2079.60)	408.04 fee units (\$6238.90) if authorised to trade during non-standard hours*	N/A
Pre-retail	68.01 fee units (\$1039.90)	N/A	N/A
Producer's Renewable limited BYO permit Producer's licences with the promotional event authorisation are subject to an additional 7.74 fee units	16.74 fee units (\$256.00)	N/A	N/A

*A risk fee of \$6,132.80 applies for packaged liquor licences authorised to trade during any of the following non-standard hours:

- before 9am and/or after 11pm Monday to Saturday
- before 10am and/or after 11pm Sunday
- before 12 noon and/or after 11pm ANZAC Day.

Venue capacity multiplier

Number of Patrons	Multiplier	Number of Patrons	Multiplier	Number of Patrons	Multiplier
0-200	1	501-600	2	901-1000	3
201-300	1.25	601-700	2.25	1001-1100	3.25
301-400	1.5	701-800	2.5	1101-1200	3.5
401-500	1.75	801-900	2.75	1201-1300	3.75
				1301+	4

Attachment D17: Option B1- renewal fees for liquor licences

This option retains the current risk factors, as the evidence supports these as being relevant considerations in assessing risk. However, they are reconfigured to better capture the level of risk posed by a licence.

The licence categories are attributed a base fee level of very high, high, medium and low risk based on the risk hierarchy, addressing previous concerns raised by the VCEC (BRV's predecessor body) regarding the calculation of risk for licence categories.

It also recognises that floor space is a relevant factor contributing to risk for packaged liquor licences (reflecting the changes made by the Amendment Act designating these as higher risk licences).

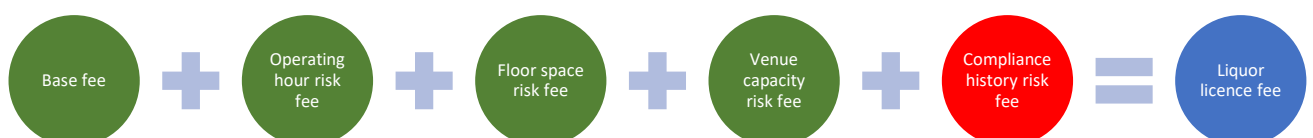
It retains the current risk factors but reconfigures them, as follows:

- applying the venue capacity risk factor as a set fee rather than a multiplier
- applying the venue capacity risk factor to general and on-premises licence categories, regardless of compliance history
- reducing the venue capacity risk factor groupings from 13 to three (the proposed groups will be 0-100, 101-400, 401+)
- removing the operating hours risk fee to general and on-premises licences. It will still apply to late night (general) and late-night(on-premises) as these licences trade after 1.00am
- applying an operating hours risk fee to restaurant and café licences that operate after 1.00am
- applying the non-compliance risk fee on a sliding scale for non-compliance incidents that have occurred in the previous three years.

New elements of the structure include:

- licence categories attributed a base fee level of very high, high, medium, low based on the risk hierarchy
- removing the distinction between the base fee for a full club licence with and without gaming machines
- providing a remote seller's packaged liquor licence category
- applying a floor space risk fee to packaged liquor licences (including remote seller's packaged liquor, noting the licensed floor space refers to storage facility) with a floor space of greater than 750sqm.
- Applying a floor space risk fee to the producer's liquor licence for those with a redline area (licensed premises area) greater than 150m².
- Producers that have a promotional variation will no longer be subject to a higher base renewal fee. This change is consistent with a risk-based fees model as it acknowledges the limited impact on risk that this variation entails. Furthermore, removing this premium for the producers' promotional variation reduces the burden on smaller producers who might want to engage in activities related to promotional events.

This structure is preferred as it is considered to better reflect the level of risk for each licence category, significantly simplifying the structure and reducing red tape.



Outline of Preferred Renewal Fee Model (Option B1)

Licence category	Base fee	Operating hours risk fee	Floor space risk fee	Venue capacity risk	Compliance history risk fee	
Packaged liquor	Very High	673.64 fee units if authorised to trade during non-standard hours*	630.10 fee units if licensed floor space 750sqm+	N/A	Applies to all licences: Last 12 months One or two non-compliance: adds 750.12 fee units Three or more non-compliance incidents: adds 1500.25 fee units Between 13 months- 36 months Any non-compliance incident: adds 375.06 fee units	
Late night (packaged liquor)				N/A		
General	High	N/A	N/A	Automatically applies based on the applicable patron capacity as per the below table.		
On-premises			N/A			
Late night (general)			455.20 units until 3am			N/A
Late night (on-premises)			871.48 units post 3am			N/A
Remote seller's packaged liquor	Middle	N/A	630.10 fee units if licenced floor space (storage facility) 750sqm+	N/A		
Full Club			N/A	Applies if compliance history risk fee applies based on the patron capacity as per the below table.		
Producer's	Middle	N/A	26.53 fee units if licensed premises is 150sqm+	N/A		
BYO Renewable limited	Middle	N/A	N/A	N/A		
Restaurant and cafe					206.27 fee units if trading after 1am	N/A
Pre -retail	Low	N/A	N/A	N/A		
Restricted club				Applies if compliance history risk fee applies based on the patron capacity as per the below table.		

*A risk fee of 673.64 fee units applies for packaged liquor licences authorised to trade during any of the following non-standard hours:

- before 9am and/or after 11pm Monday to Saturday
- before 10am and/or after 11pm Sunday
- before 12 noon and/or after 11pm ANZAC Day.

Venue capacity Risk Fee

Number of patrons	Number of patrons
0-100	0 fee units (remains at zero)
101-400	71.08 fee units (middle- jump from zero to reflect the significant increase of harm presented by venues of this capacity)
401+	160.89 fee units (highest- only modest increase from middle amount to reflect only slight increase in harm)

Impact on licensees

The preliminary analysis of the number of licences affected by this option is set out in the below table based on 2019 data licences and licence fees paid.

Proposed change	% of licensees with decreased fees	% of licensees with increased fees	% of relevant licensees with minimal change	Affected licence types
Base fees	10.7%	84%	6%	All licence types
Venue capacity risk factor	13%	51% to 87%	Up to 36%	Affects general, on-premises licences. Restaurant and café and club licences are also affected if they have had a non-compliance incident.
Operating hours risk fee	0%	9%	Up to 91%	Affects only general, on-premises, and restaurant and café licences that operate past 1am.
Compliance history risk fee	0%	0.1%	99.9%	All licence types.
Floor space risk fee	0%	14%	86%	Packaged liquor licences with more than 750sqm in retail floor space; remote sellers with more than 750sqm in storage space; and, producers with a licensed premises area greater than 150sqm.

A more fulsome explanation of licensees relationship to the individual risk factors by the proposed changes is contained below.

Base Fees

Key changes of the preferred option include:

- licence categories attributed a base fee level of very high, high, middle, or low based on the risk hierarchy.
- removing the distinction between the base fee for a Full club licence with and without gaming machines.
- provide for the remote seller's packaged liquor licence category.

The following table compares the current base fee risk level groups to the recommended base fee risk level in the preferred option (using 2019 data). There will be result in more licensees paying the middle and high levels of fees under the preferred option.

CURRENT				PREFERRED OPTION			
Licence category	Base fee group	No. licensees		Licence category	Base fee group	No. licensees	
BYO permit	LOW	1,040	13,642	Pre-retail	LOW	855	1,718
Limited	LOW	4,952		Restricted club	LOW	863	
Producer's	LOW	850		BYO permit	MIDDLE	1,040	13,513
Restaurant & café	LOW	5,937		Full club	MIDDLE	734	
Restricted club	LOW	863		Limited	MIDDLE	3,752	
Full club - without EGMs	MIDDLE	515	515	Remote sellers	MIDDLE	1,200	
Full club - with EGMs	MIDDLE	219	5,397	Producer's	MIDDLE	850	
General	MIDDLE	1,603		Restaurant & café	MIDDLE	5,937	
Late night (general)	MIDDLE	473		General	HIGH	1,603	6,376
Late night (on-premises)	MIDDLE	346		Late night (general)	HIGH	473	
On-premises	MIDDLE	1,901		Late night (on-premises)	HIGH	346	
Pre-retail	MIDDLE	855	On-premises	HIGH	1,901		
Packaged liquor	VERY HIGH	2,053	2,053	Packaged liquor	VERY HIGH	2,053	
Late night (packaged liquor)	VERY HIGH	3		Late night (packaged liquor)	VERY HIGH	3	

Under the preferred option, restricted club licensees remain paying the lowest base fee, and Pre-retail licensees move from paying a middle base fee to paying the lowest base fee.

BYO permittees, and Renewable limited, Producer's, and Restaurant and Café licensees (a total of 12,779 permittees and licensees) move from paying the lowest base fee into the middle base fee group.

Full club licensees with EGMs (219 licensees) currently pay more than double the amount of those Full club licensees without EGMs (515 licensees). Under the preferred option, all full club licensees would pay the same middle level base fee, along with BYO permittees, and renewable limited, producer's, and restaurant and café licensees. The new remote seller's packaged liquor category (1,200 licensees, currently with a renewable limited licence) will also be in this middle base fee group.

Under the preferred option, general, late night (general), on-premises, and late night (on-premises) licensees (4,323 licensees) will pay the highest base fee, along with packaged liquor and late night (packaged liquor) (2,056 licensees).

Assuming base fee levels stay approximately the same as the current major groupings, as indicated in first table above (i.e., the three current fee groupings excluding full club – without gaming machines).

Venue Capacity Risk Factor

Key changes of the preferred option include:

- applying the venue capacity risk factor as a set fee rather than a multiplier
- simplifying the patron capacity size categories from 13 to three: 0-100, 101-400 and 401+. The lowest size category would have a \$0 set fee (currently licensees in this category for whom the venue capacity risk factor applies have a multiplier of 1, i.e., a \$0 effect).
- applying the venue capacity risk factor to general and on-premises licence categories, regardless of compliance history.

Currently (using 2019 data) and under the preferred option, venue capacity risk is a factor applicable to the following numbers of licensees:

Venue capacity risk factor applicable	Number of licences - currently	Number of licences – under preferred option
N/A	9,753	9,748
If compliance history risk fee applies	11,038	7,534
Always	819	4,323

Currently, only general and on-premises licences that are subject to a compliance history risk fee pay a venue capacity risk fee. Under the preferred model, all general and on-premises licences, with a patron capacity of over 100, will need to pay the venue capacity risk fee. This means, an additional 3,504 general and on-premises licensees would have to pay a venue capacity fee.

The 4,323 licensees for whom the venue capacity risk factor would always apply under the preferred option fall into the following patron capacity categories. However, in effect the \$0 fee for these venues with a patron capacity between 0 and 100 (1,506) will mean their overall renewal fee will be unaffected.

Patron capacity	No. of licences
0-100	1,506
101-400	1,940
401+	877
TOTAL	4,323

The nature of a Venue capacity fee multiplier, as is the case in the current renewal model, means that venues can potentially be charged very large additional amounts, particularly if they have large patron capacities. Venues currently subject to larger multipliers e.g., 2 or more (currently 260 licensees pay a median amount of over \$11,000) are likely to pay lower venue-capacity fees under the preferred option where the fee is fixed fee.

Operating hours risk fee

In 2022 the Current Regulations were amended to recognise that some licence categories can trade to 1am as of right. These categories are general, on-premises and restaurant and cafes. The operating hours risk fee now applies to those that trade post 1am. One of the changes in the preferred option is that the operating hours risk fee applies to restaurant and café licences that operate after 1.00am.

In 2019, there were 129 restaurant and café licensees that traded after 1.00am, and these licensees would have to pay the operating hours risk fee under the preferred option as will late-night general and on-premises licences and packaged liquor licences that trade outside ordinary trading hours.

Compliance history risk fee

The new arrangements will apply the compliance history risk fee on a sliding scale for non-compliance incidents that have occurred in the previous three years.

In 2019, fifteen licensees paid a compliance history risk fee under the current model. All of these were the 272.03 fee units for one or two non-compliance incidents during the 12 months prior to the renewal period. None paid the 544.05 fee units for three or more non-compliance incidents during the 12 months prior to the renewal period.

Under the preferred option, a compliance history risk fee would also be applicable for licensees who had any non-compliance incident during the prior 12-36 months. Assuming a similar number of licensees subject to the compliance history risk fee each year, this would result in an extra 30 licensees being charged the (lowest) compliance history risk fee.

Floor space risk fee

The new floor space risk fee will apply to packaged liquor licences (including remote seller's packaged liquor where the licensed floor space refers to storage facility) with a floor space of greater than 750sqm and producer licences with a floor space of more than 150sqm. It is estimated that approximately 80 packaged liquor licensees in Victoria have a premise with floor space greater than 750sqm, and 567 producer licensees are estimated to have a floor space greater than 150sqm, and these licensees would have to pay the new fee.

Attachment D18: Jurisdictional comparison – liquor licence renewal fees

All states and territories (except Tasmania and Northern Territory) have a variation of risk-based liquor licence fees incorporating the concept of harm, its potential and impact in integrating it into their fee structures. They range from a fixed fee based on licence class to a combination of fees and loadings by licence class, trading hours, compliance history, venue capacity and location. Many jurisdictions have developed their structures since the Victorian system was developed in 2009.

Many jurisdictions use operating hours, venue capacity and compliance history risk factors to varying degrees, and fees are calculated in different ways. Many jurisdictions also include a range of other risk factors in the fee structure.

New South Wales, Queensland and South Australia are the closest comparisons to the Victorian model as they include risk factors on top of base fees (unlike the Australian Capital Territory, Tasmania and Western Australia who have a fixed fee). It is, however, difficult to compare these structures directly as they have different licence categories, base fees and some differing risk factors. Nonetheless, they provide examples to Victoria of what kinds of risk factors could be included and how the fee structure could be adapted to be more flexible.

The fee structures for all jurisdictions, except for Tasmania, incorporate some form of risk-based assessment for venue type, occupancy and trading hours. Tasmania does not capture risk loading within the fee base but does require all licensees to have a risk assessment management plan. In New South Wales, South Australia and Queensland, simple risk-based models have been adopted, with flat fees only and no multipliers. Victoria's current use of a venue capacity multiplier as a factor in calculating the risk-based fee is unique.

Table D18.1 provides a comparison of risk-based fee models for the jurisdictions. Table D18.2 compares Victoria's base fees to base and fixed fees of equivalent licence categories in other jurisdictions.

Table D18.1: Comparison of risk-based liquor licence renewal fee models by jurisdictions

Jurisdiction	Fixed Fee	Base Fee	Trading Hours Loading	Compliance History Fee	Capacity Loading	Location Loading
VIC		X	X	X	X (Multiplier for specific licence classes/ compliance history risk fee)	
NSW		X	X	X (Provision suspended pending outcome of review of liquor legislation)	X (If compliance risk fee applied)	X (Prescribed entertainment precincts if compliance risk fee applied)
QLD		X	X	X		
SA		X	X		X (Specific licence classes)	X (Applies to certain categories of licenced premises located in entertainment precincts)
ACT	X					
TAS	X					
WA	X					
NT	NA					

Table D18.2 : Comparison of base and fixed fees for liquor licence renewals by jurisdictions (as at February 2023)

Licence Type	VIC ⁹⁷	NSW ⁹⁸	QLD ⁹⁹	SA ¹⁰⁰	ACT ¹⁰¹	TAS ¹⁰²	WA ^{103/104}	NT
Late night (general)	\$1039.90	Small Bar: \$248 Club: \$617	\$753.70	\$132	\$5247 (< 3am and < 80 patrons)	\$671.50 Out of hours Permit (midnight-5am) - additional cost	\$640	NA
Late night (on-premises)	\$1039.90	Small Bar: \$248 Club: \$617	Bar: \$753.70 Nightclub: \$4,076.00	\$397-\$450	\$3936 (< 3am and < 80 patrons)	\$671.50 Out of hours Permit (midnight-5am) - additional cost	\$640	
Late night (packaged liquor)	\$2079.60	\$617-\$2461(range based on number of outlets)	Commercial hotel: \$4,076	\$1906-\$7308 range based on number of outlets	Off-licence: \$695 – \$43127 (dependant on gross liquor purchase amounts)	\$671.50	\$640	
General	\$1039.90	\$617	\$753.70	\$132	\$2359 (standard hours and < 80 patrons)	\$952	\$640	
On-premises	\$1039.90	\$494	\$753.70	\$397-\$450	\$2359 (standard hours and < 80 patrons)	\$671.50	\$640	
Restaurant and cafe	\$256.00	\$617	\$753.70	\$397	\$1175 (standard hours and < 80 patrons)	\$442	\$640	
Packaged liquor	\$2079.90	\$617-\$2461 range based on number of outlets	Commercial hotel licence/limited commercial special facility licence: \$4076 Wine producer licence: \$653.90	\$1906-\$7308 range based on number of outlets	Off-licence: \$695 – \$43127 (dependant on gross liquor purchase amounts) Off - Micro-producer: \$263	\$671.50	\$640	

⁹⁷ [VCGLR Liquor licensing fact sheet \(as from 1 July 2021\) dated June 2021](#)

⁹⁸ [Annual liquor licence fees - Liquor & Gaming NSW](#)

⁹⁹ [Liquor and wine licence fees and charges 2021-22 \(publications.qld.gov.au\)](#)

¹⁰⁰ [Annual Liquor Licensing Fees.pub \(cbs.sa.gov.au\)](#)

¹⁰¹ [Liquor \(fees\) Determination 2021 \(act.gov.au\)](#)

¹⁰² [Fees | Treasury and Finance Tasmania](#)

¹⁰³ [Fee schedule for liquor activities \(dlgsc.wa.gov.au\)](#)

¹⁰⁴ [Fees and charges | DLGSC](#)

Licence Type	VIC ⁹⁷	NSW ⁹⁸	QLD ⁹⁹	SA ¹⁰⁰	ACT ¹⁰¹	TAS ¹⁰²	WA ^{103/104}	NT
Full club	With gaming: \$1039.90 Without gaming: \$511.80	Hotel Full Licence (With gaming): \$617 Hotel – general bar (Without gaming and without sale of takeaway alcohol): \$309	Commercial hotel licence: \$4076 Community club licence: \$753 - \$3321 *Gaming machine licence - additional cost	\$132 *require gaming machine licence to supply gaming - additional cost	\$2359 ((standard hours and < 80 patrons)	\$442	\$640	
Restricted club	\$256.00						\$314.50	
Pre-retail	\$1039.90	\$230	\$753.70	\$79.50-\$530			\$640	
Producer's	\$256.00	\$248	\$753.70	\$79.50-\$530	Off licence Micro-producer: \$695 for gross liquor purchase value <5000	Wine producers – special licence \$442	\$640	
Renewable limited	\$256.00	\$125						
BYO Permit	\$256.600							

Attachment E: Security Cameras – supplementary information

Attachment E1: Current regulations - security camera requirements

The Regulations prescribe the following minimum frame rate:

- that security cameras must record continuously at a frame rate of five frames per second,
- a digital video recorder must record at least five images per second,
- a video cassette recorder must continuously record images from the security camera.

The Regulations prescribe the following standards for quality of stored images:

- display time and date
- identify the security camera number
- still images exported from a video recorder at an **entrance or exit** must be of sufficient quality to **identify** (emphasis added) a person
- still images exported from a video recorder at **any other** area of the licensed premises must be of sufficient quality to enable **recognition** of a person
- if a digital recorder it must be in an open format.

The Regulations do not prescribe any testing of the security cameras as permitted by the LCR Act. The LCR Act allows the regulations to prescribe testing of security cameras including:

- any standard, rule or guideline, specification or method formulated for their testing
- the times at which it must be tested
- the person or class of persons who can carry out the test.

The Commission advise that it applies a security camera licence condition as part of the “Late night music conditions” which are applied to all late night (general) and late night (on-premises) licences. (Late-night (general) and late-night (on-premises) authorise supply during ordinary trading hours and at late-night times determined by the Commission). It also applies this condition to some general and on-premises licences where the assessment identifies there are specific risks or concerns. These specific concerns are most commonly the result of objections from Victoria Police or information from Commission Compliance. It also applies this licence condition to sexually explicit entertainment venues and karaoke bars.

Their most commonly worded security camera licence condition requires that:

‘When live or recorded amplified music other than background music is provided:

The licensee shall install and maintain a surveillance recording system able to clearly identify individuals, which shows time and date and provides continuous images of all entrances and exits, bars and entertainment/dance floor areas. The surveillance recording system must operate from 30 minutes before the start of the entertainment being provided until 30 minutes after closure. A copy of the recorded images must be available upon request for immediate viewing or removal by Victoria Police, or a person authorised in writing by the Victorian Commission for Gambling and Liquor Regulation, or otherwise retained for at least 1 month. The positioning of cameras is to be to the satisfaction of the Licensing Inspector’.

Attachment E2: Security camera requirements– jurisdiction comparison

This comparison highlights that there are some updates that are required to ensure that the regulations continue to meet their objective of assisting Victoria Police in investigations and prosecutions of criminal offences committed on licensed premises.

Frame rate

The comparison demonstrates that Victoria currently has the lowest required frame rate standard in the country. The guidance document states that the frame rate should be set at a 'level that will capture four or more images of the target travelling at a fast pace through each camera's field of view'.¹⁰⁵ Queensland (QLD), Australian Capital Territory (ACT) and Tasmania all prescribe a minimum of six frames per second. The other states require a higher frame rate, New South Wales (NSW) (10 from 1 September 2020), Northern Territory (NT) (8) and South Australia (SA) (25). It is recommended that the frame rate in Victoria be increased. Consultation with the state liquor unit of Victoria Police supports a higher frame rate being prescribed to a minimum of 8 frames per second in line with page 4 paragraph 5 of the guidance document. It is recommended that the regulations require a minimum frame rate of 8 frames per second. It is noted that this is consistent with NT and largely consistent with NSW which has recently updated its standards.

Image recording by digital or video cassette recorder

Rapid technological advancements have meant that video cassette recorders have mostly disappeared and been replaced entirely with digital recorders. There are key benefits to digital recordings as opposed to analogue recordings including:

- the binary code of digital audio and video can be read by a computer. Therefore, computers can be used to edit the data (e.g., remastered to enhance sound and visual quality)
- digital media is non-linear (or non-real time), so it can be edited and played back starting at any point.
- digital information does not degrade and lose quality with repeated use
- information can be stored more efficiently'.¹⁰⁶

The comparison demonstrates that nearly all states require that recordings must be digital. Victoria is one of the only states (other than Tasmania and ACT) that does not require that recordings to be digital. NSW, SA and QLD all expressly require that recordings are digital. The guidance document implies that it relates to digital only by stating that older analogue systems can be evaluated against the guidance document from a performance perspective only.

It is not possible to ascertain exactly how many licensees are still operating video cassette recorders, however the number is likely to be very low. Consultation with Victoria Police confirms that it has not come across any licensed premises that still operate an analogue system. Requiring all licensees to have digital security camera systems is likely to impact relatively few licenses, if any, and is necessary for future-proofing the regulations for the current technological climate. It is recommended that the regulations require that all security camera systems are digital.

¹⁰⁵ ANZPAA, *Australian and New Zealand Police Recommendations for CCTV Systems*, p. 4:
https://www.anzpaa.org.au/publications/general#cctv_systems

¹⁰⁶ <https://www.records.nsw.gov.au/recordkeeping/advice/digitisation-of-analogue-audio-and-video>

Quality of still image exported from video recorder

The regulations require that for still images exported from a video recorder situated in an entrance or exit, the image must be of adequate quality to enable *identification* of a person. Whereas in the case of any other area of the licensed premises other than the entrance and exit, the image is only required to be of sufficient quality to enable *recognition* of a person.

When the standards for security cameras were introduced in 2008, they originally required that all images must be capable of correctly identifying an individual face. The 2009 RIS considered that the government objective of ‘enhancing public safety by ensuring that surveillance images are of an adequate quality to assist police in the investigation of offences committed on licensed premises can also be met through the application of a recognition level standard for areas within licensed premises other than entrances and exits’, which would result in a ‘reduced regulatory burden on industry without compromising law enforcement outcomes’.

However, consultation with Victoria Police indicates that law enforcement outcomes are compromised because of this approach. It indicates that ‘many offences occur within licensed premises, at the bars, on the dance floor and in the entrances to toilets. Generally, these cameras are of a poorer quality making it very difficult to identify offenders even trying to cross reference using the somewhat higher quality entrance cameras. Licensed venues that offer karaoke entertainment present particular issues in that this type of entertainment generally takes place in rooms with low lighting and lighting effects that degrade the camera quality. With the Current Regulations these cameras are not required to be of high quality making the identification of persons or the discovery of drug/sex crime difficult’.

Most other states and territories require that all cameras are of a sufficient quality to enable ‘identification’ of a person and do not appear to distinguish a quality based on the location of the camera. Table E2 demonstrates this below.

Table E2: Jurisdictional comparison – security camera requirements as related to liquor licences

Jurisdiction	Entry/Exit camera quality	Other areas camera quality
Victoria	Still images exported from a video recorder in an entrance or exit must be of adequate quality to enable identification of a person.	Still images in any area other than the entrance and exit must be of adequate quality to enable recognition of a person.
Guidance Document	Cover entries, exits, pinch points, and point of sales with Face Identification (120%) level resolution.	Cover general public access areas with a resolution standard equal to or greater than detection level.
New South Wales	The system’s cameras must cover all entry and exit points on the premises but does not distinguish between on quality.	The system must also cover the footpath immediately adjacent to the premises and all publicly accessible areas (other than toilets) on the premises.
Queensland	Cameras are required at each entrance and exit point. It does not distinguish on quality.	It recommends that cameras are positioned to record any incident, but this is not required.
South Australia	The picture quality and detail must be sufficient to enable the visual identification of a person. Visual recordings required at all entry and exit points.	The picture quality and detail must be sufficient to enable the visual identification of a person. Visual recordings are required at the footpath immediately adjacent to the premises and all other internal and external licensed areas of the premises (excluding toilets) to which patrons have access.

Jurisdiction	Entry/Exit camera quality	Other areas camera quality
Western Australia	Identify people entering and existing a licensed premises, as well as assisting the licensee to monitor crowd movement at all entrances and exits of the licensed premises.	The system must comply with the current Australia and New Zealand Police Recommendations for CCTV Systems .
Northern Territory	Produce images that are big and clear enough to identify people.	Produce images that are big and clear enough to identify people.
Tasmania	Internal access/egress of each entrance and exit of the licensed premises must be covered by security cameras. The recording resolution must provide sufficient quality images to enable the identity of an individual to be determined.	Bar service areas and sales points; the exterior area of each entrance/exit of the licensed premises to a minimum radius of 10 metres; dance floors along with any passageways and stairwells where these lead to other areas of the licensed premises accessible by patrons or where they lead to an exit from the premises; and outside smoking areas must be covered by CCTV. The recording resolution must provide sufficient quality images to enable the identity of an individual to be determined.
Australian Capital Territory Liquor Regulation 2010	Security camera images must be of adequate quality and detail to enable identification of a person. Does not prescribe where the cameras should be located.	Security camera images must be of adequate quality and detail to enable identification of a person. Does not prescribe where the cameras should be located.

As mentioned above, given the finding by Victoria Police that this difference in camera quality based on the location of the camera is resulting in the objectives of the regulations not being achieved, it is recommended that all cameras in a licensed premises are required to be of adequate quality to enable identification of a person. Considering the advancement of technology in this area and relative cheapness of this technology now compared to when the regulations were introduced, it is argued that this would not impose a significant burden on licensees. It is consistent with most other states and territories.

Attachment F: Minor Amendments - supplementary information

Table F: Recommendations for minor amendments to the Liquor Control Interim Reform Regulations 2022

Part	Recommended changes
<p>Part 1 – Preliminary</p> <p>Includes objectives, commencement, revocation, authorising provisions and definitions.</p>	<p>Objectives - Remove Regulation 1(c)- to provide for conduct of licensing polls</p> <p>Update Regulation 1(b) objectives include any new regulations made (determine a tourist area or area with special needs)</p> <p>Update Regulation 2 to reflect new commencement date.</p> <p>Update Regulation 3 to reflect revocation of Liquor Control Reform Interim Regulations 2021.</p> <p>Update Regulation 4 to remove reference to 'clause 17 of Schedule 3 to'.</p> <p>Remove the following definitions from Regulation 5- attendance voting, election manager, elector, licensing poll, neighbourhood, recognition</p> <p>Update the definition of 'stored image' to remove the following: 'or the images on recorded cassettes from an analogue video cassette recorder'</p> <p>Update the definition of 'video recorder' to remove reference to 'or video cassette recorder that records video images from a security camera'.</p>
<p>Part 2 – Prescribed substances</p> <p>Prescribe substances for the purposes of the definition of liquor in section 3 of the Act.</p>	<p>Retain regulation. No changes proposed.</p>
<p>Part 3 – Prescribed liquor</p> <p>Prescribe types of liquor that butchers may supply.</p>	<p>Retain regulation – make the following change: Regulation 7(1) is updated to include mead as a prescribed type of liquor.</p>
<p>Part 5 – Particulars and information for applications</p> <p>Prescribe the particulars and information that are to be included in an application for the grant, variation, relocation or transfer of a licence or BYO permit.</p>	<p><i>Retain regulation – subject to the following changes:</i></p> <p>Regulation 10(1) prescribe that an applicant must indicate whether it is a large PLL application (as defined in the LCR Act).</p> <p>Regulation 10(1) prescribe that, if permitted under the licence category they are applying, an applicant must indicate whether they intend to supply liquor online. This requirement will not apply to an application for an online vendor packaged liquor licence (PLL) as by the nature of the licence online supply will occur.</p> <p>Regulation 13(1) also prescribes that if the licensee indicates that they are not an existing large PLL licence, whether the variation would make it one.</p> <p>Regulation 13(1) prescribe that if the variation a licensee is applying for will permit the supply of liquor online, as part of a change of licence</p>

Part	Recommended changes
	<p>category, that the licensee must indicate whether they intend to supply liquor online.</p> <p>Regulation 14 prescribe that an application to vary the size or perimeter of the licensed premises must also be accompanied by:</p> <p>any one of—</p> <p>(i) a copy of a permit issued under the Planning and Environment Act 1987 or, in the case of a vehicle, vessel or aircraft, a permit issued under any relevant planning law permitting the premises to which the application relates to be used as licensed premises in accordance with the authority of the relevant licence or BYO permit; or</p> <p>(ii) other evidence that use of the premises as licensed premises in accordance with the authority of the relevant licence or BYO permit would not contravene the planning scheme that applies under the Planning and Environment Act 1987 or, in the case of a vehicle, vessel or aircraft, any relevant planning law; or</p> <p>(iii) a copy of an application that has been made in accordance with the Planning and Environment Act 1987 or, in the case of a vehicle, vessel or aircraft, any relevant planning law for a permit, licence or other authority that, if granted, would permit the premises to be used as licensed premises in accordance with the authority of the relevant licence or BYO permit.</p> <p><i>This will not apply to limited licences and pre-retail licences.</i></p> <p>Refer RIS section 4 for detailed assessment of the proposed amendment – particulars and information for applications.</p>
<p>Part 7 – Prescribed variations</p> <p>Prescribe variations of licences and BYO permits that are not required to comply with the requirements set out in sections 33, 34 and 35 of the Act unless required by the Commission.</p>	<p><i>Retain regulation – subject to the following change:</i></p> <p>Remove Regulation 34(1)(e) a variation to remove the condition imposed on a licence in accordance with the Act under which a licensee supplies packaged liquor only for consumption off the licensed premises as the whole of the licensee’s ordinary business of supplying liquor.</p>
<p>Part 8 – Prescribed conditions for the attendance of minors at live music events</p> <p>Conditions that apply in relation to live music events that are held at licensed premises or authorised premises and at which a person under the age of 18 may be present.</p>	<p>Retain regulation.</p>
<p>Part 9- Prescribed closure and evacuation notice requirements</p>	<p>Retain regulation.</p>

Part	Recommended changes
The regulations prescribe procedural matters relating to closure and evacuation notices issued under Part 8B of the Act, including the form to issue a closure and revocation notice and to revoke the order and the prescribed information to be included in a sign to be displayed at the premises.	
Part 10 – Licensing Polls Provide for the conduct of licensing polls.	Revoke.
Part 11 – Prescribed barring order requirements Prescribe forms for use in relation to barring orders and prescribe particulars for notice of revocation of barring orders.	Retain regulation.
Part 12 – Miscellaneous Provide for the conduct of licensing polls.	Revoke.
Part 13 – Expiry of Regulation	Revoke.
Schedule 2 – Ballot Paper The ballot paper form to be used for the purpose of licensing polls.	Revoke.
Schedule 3 – Form 1 – closure and evacuation notice	Retain regulation. The following amendments are made for the purposes of consistency and clarity: <i>the forms refer to the Victorian Commission for Gambling and Liquor Regulation in full throughout the forms, but in some paragraphs refers to the Commission. It is recommended that references to the Commission in paragraph 3 of page 1 of Form 1, paragraph 3 of Reinspection section on page 2 of from 1 and paragraph 3 of Form 2 are updated to refer to the Victorian Commission for Gambling and Liquor Regulation</i> Paragraph 3 of Form 1 states that the venue must remain closed until the 'work has been completed to rectify the serious fire threat, inspected and the Commission has revoked this notice'. For the purposes of clarity, it is proposed to amend this sentence to read 'work has been completed to rectify the serious fire threat, <i>the work has been inspected by the fire safety officer</i> and the Commission has revoked this notice.'
Schedule 3 – Form 2 – Notice of revocation of	Retain regulation. The following amendments are made for the purposes of consistency and clarity: the forms refer to the Victorian Commission for Gambling and Liquor Regulation in full throughout the forms, but in some paragraphs refers to

Part	Recommended changes
<p>closure and evacuation notice</p> <p>The prescribed form to be used for revocation of a closure and evacuation notice.</p>	<p>the Commission. It is recommended that references to the Commission in paragraph 3 of page 1 of Form 1, paragraph 3 of Reinspection section on page 2 of from 1 and paragraph 3 of Form 2 are updated to refer to the Victorian Commission for Gambling and Liquor Regulation.</p>
<p>Schedule 4 – Form 1 – Barring Order</p> <p>Form to be used to issue or by a licensee, permittee, responsible person or member of the police force to vary a barring order.</p>	<p>Retain regulation.</p>
<p>Schedule 4 – Form 2 – Notice of Variation of Barring Order</p> <p>Form to be used by the Commission to vary a barring order.</p>	<p>Retain regulation.</p>
<p>Schedule 5 – Notice of right to use premises</p> <p>Form to be used by the licensee to provide notice of the right to use the premises to the Commission.</p>	<p>Retain regulation.</p>
<p>Schedule 6 – Notice of right to occupy premises</p> <p>Form to be used by a transferee to provide notice of the right to occupy to the Commission.</p>	<p>Retain regulation.</p>