CS5628 05/16



Review of regulatory fees for veterinary surgeons

Consultation Regulatory Impact Statement

Queensland Government

Review of Regulatory Fees for Veterinary Surgeons

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Have your say

You are invited to have your say about changes to fees within the Regulation that sits under the *Veterinary Surgeons Act 1936*.

This consultation Regulatory Impact Statement (RIS) considers the adequacy of fee levels, with a view to recovering the full cost of the services provided to veterinary registrants.

The RIS is being released for consultation so that public comments can be considered before an option is finalised. The proposed changes will affect veterinarians the most; however, all members of the community are welcome to comment. Feedback from professionals, industry and the community will help to ensure the Regulation achieves the right balance between consumer protection, animal welfare, and creating a business friendly regulatory environment.

Stakeholders might like to consider whether:

- the Board should charge fees to make full cost recovery
- the fee proposals reflect the resources required to register and oversee veterinary professionals and practices.
- the distribution of fee burden of the existing fees between surgeons, specialists, retired and government vets and new entrants is appropriate

Please submit your responses to this RIS by 5 pm, 1 September 2016.

You can submit your responses online at www.daf.qld.gov.au. Alternatively, you can post or email more detailed written responses to:

Biosecurity Queensland

Department of Agriculture and Fisheries

GPO Box 46

Brisbane QLD 4001

or email BiosecLegislation@daf.qld.gov.au.

Under laws providing for freedom of information, your submission may be made available to others.

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Summary

Background

Animal health services provided by veterinarians are vital to the wellbeing of our companion animals, production livestock, working animals, research animals and native fauna. Veterinarians also play a critical biosecurity role in controlling and responding to animal disease outbreaks (such as Hendra or equine influenza), invasive animal control and in protecting Australia's market access for animal products.

Veterinarians are skilled in animal medicine and surgery. Private veterinary practices can generally be described as rural practices (for both livestock, working and companion animals), urban practices (for mainly companion animals) and specialty practices.

The most commonly known veterinary services include animal check-ups, immunisations, spaying, dental services, pregnancy testing, dehorning, emergencies, over the counter treatments and merchandise. Some services will be provided at veterinary premises or off premises, such as on farms or at export facilities.

In addition to these more visible activities there are services such as pathology, diagnostic imaging, animal hospitals, quarantine facilities, animal welfare organisations and specialist providers like oncologists, ophthalmologists and neurologists. There are also ancillary services such as physiotherapists and chiropractors.

What is the review going to focus on?

The Veterinary Surgeons Board of Queensland (the Board) is constituted to exercise and discharge the powers, authorities and functions conferred or imposed upon it by the *Veterinary Surgeons Act 1936* (the Act) and the current Regulation.

The Board is responsible for the registration of veterinarians and veterinary specialists and administers the disciplinary provisions of the Act in respect of professional misconduct by registrants and the performance of prohibited practices by non-registered persons.

The Board is funded from the registration fees of veterinarians in Queensland. The Department of Agriculture and Fisheries provides some in kind support to the Board to help reduce some of the Board's costs. While in kind support mainly consists of financial and accounting services and advice, historically accommodation was also provided to the Board.

Since 2013 -14, the Board's revenue has not kept pace with expenditure. In 2014-15, the Board had expenses of $513 176, and generated revenue of $463 110. This left a funding shortfall of $50 066, which had to be met from the Board's reserve fund. Expenditure in 2015-16 is projected to be $762 088, with revenue projected at $465 906. This leaves a deficit of $296 182.

The Board incurs expenses in service of the veterinary profession. A range of factors are driving costs up, including increased legal fees (a product of disciplinary action to uphold the standing of the profession) and new costs, such as accommodation. Monthly reports of financial performance are prepared by the Department of Agriculture and Fisheries and provided to the Board for consideration at meeting. The chair of the Board is required by legislation to be a representative of the department and this includes representing the department's financial interests.

The Board is in a challenging fiscal situation. It has a legal duty to administer the Act and provide guidance to, and oversight of, the veterinary profession in Queensland. Misalignment of expenditure

and revenue will result in a deterioration of service delivery by the Board. Moreover it precludes the Board from initiating discretionary compliance activities and exacerbates challenges around application processing and service delivery at peak periods in the registration process.

Options for regulatory fees under the Veterinary Surgeons Regulation 2002

Fees have not been formally reviewed since the commencement of the Regulation in 2002. With the exception of the Northern Territory, Queensland fees are much lower than those charged in other jurisdictions. Although the Board draws revenue from a wide range of fees, approximately 88 per cent of revenue is derived from registration renewals.

This Consultation Regulatory Impact Statement considers the adequacy of fee levels, with a view to recovering the full cost of the services provided to veterinary registrants by the Board.

The RIS considers three options:

- Option 1: Continue to annually index current fees
- Option 2: 35% (uniform) fee increase to meet current expenditure, with no changes to fee structures
- Option 3: 55% (average) fee increase to enable better service delivery by the Board, and with changes to fee structures for specialist veterinarians, retired veterinarians and new graduates.

The Government's preferred option

The Government's preferred option is Option 3: an average fee increase of 55%.

Option 3 would see most veterinarians pay increased renewal fees - $256.00 per annum in 2016-17, up from $165.15 in 2015/16. On average, fees would rise by 55%. However, veterinary specialists, who currently pay double the ordinary registration fee, would see their renewal fees increase at a proportionally lower rate, to more accurately reflect the cost of providing services to them – their renewal fees would increase to $356.00 in 2016-17, up from $330.30 in 2015/16.

Option 3 also proposes to provide graduate veterinarians with a concessional fee when compared to renewing registrants. This is to reduce the barrier to entry posed by the proposal to increase the fee for veterinary registration, which is a mandatory condition of employment as a veterinarian. From 2016/17 onwards, graduates would receive a subsidy of 25% on their registration fee for the first year of registration i.e. $192.00 as opposed to $256.00. Graduates would pay the initial application fee ($120 in 2016-17) in addition to the registration fee. This represents a net increase in the initial fee burden for graduates registering in Queensland from $240.15 in 2015/16 to $312.00 in 2016/17.

In the first instance, revenue generated by increased registration fees in Queensland would again keep pace with the Board's growing expenditure. It would allow the Board to enhance its service delivery by: upgrading information technology systems to facilitate more cost-effective registrations and digital service delivery; and to employ additional staff from November to February during the peak registration period.

Most importantly, improvements in service delivery will release existing staff from time consuming administrative tasks and allow time to be invested in preventative compliance activities such as education and awareness. These strategies, also used by the Australian Taxation Office, for supporting voluntary compliance present an opportunity for the Board. Use of these relatively low costs tools can mitigate upward pressure on legal expenses associated with compliance and, most importantly, support the intention of the veterinary professional to protect the wellbeing of animals.

Mitigation of complaints not only offers a means to reduce overall compliance and enforcement costs and prevent animal welfare incidents, but also serves to preserve the reputation of the profession and augment consumer confidence in the standard of care being offered to animal patients.

Consultation

Through this Consultation RIS, the department is seeking the views of affected stakeholders and the wider public in relation to the proposed improvements to the services provided by the Board and the associated changes in fees. The department will carefully consider the responses and the preferred option may change as a result of consultation.

1 Background

1.1 Veterinary Services in context

Animal health services in Queensland are provided by both veterinarians and non-veterinarians. Non-veterinarians often provide general husbandry for animals. Some other services may be provided by non-veterinarians such as farriers, who trim, balance and place shoes on horse hooves, and equine dentists, who file or rasp horse teeth.

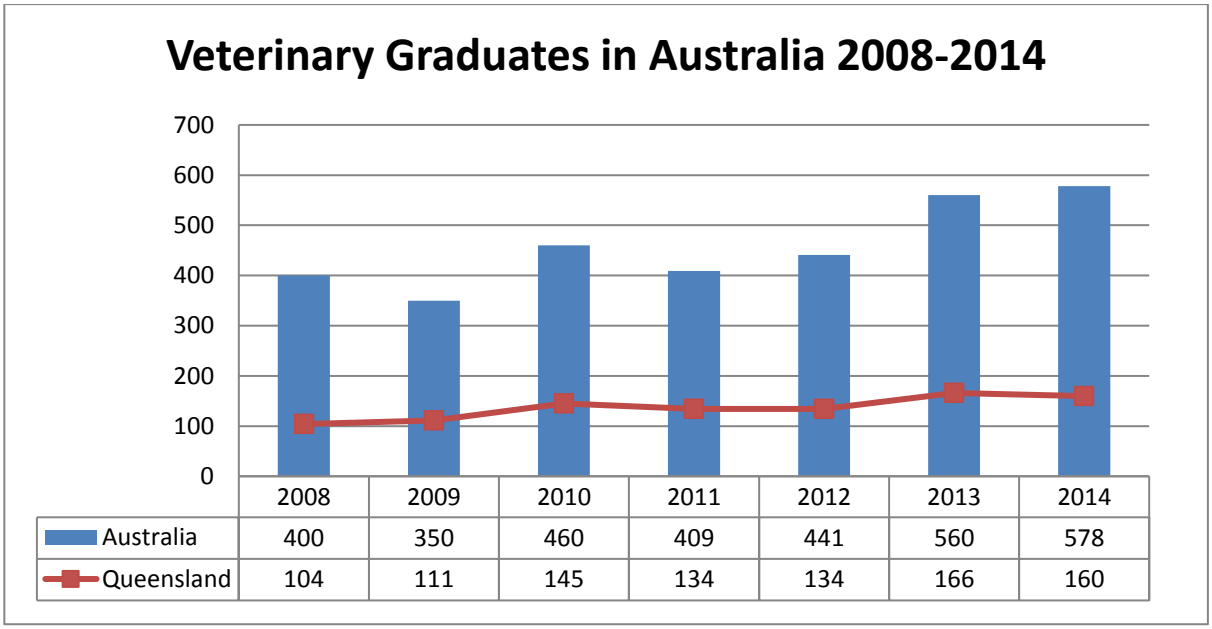
Veterinary professional services (consisting of veterinary practitioners and animal hospitals) contribute significantly to the Australian economy. For 2015-16, revenue is expected to reach $2.6 billion with a wages bill of in excess of $900 million across 19 360 employees.[1]

Urban households account for approximately 62% of revenue, with rural households contributing 19%, agricultural businesses 10%, the racing industry 5% and the remaining 4% coming from other markets such as zoos, security businesses and police[2].

Of the 3 500 Australian veterinary establishments registered in 2015-16, 22.1% have locations in Queensland. This is the third highest presence in Australia, behind only New South Wales at 31.6% and Victoria at 25%[3].

The number of graduates entering the professional across Australia has trended upward, however from 2013 to 2014, Queensland graduations have reduced slightly.

Figure 1: Veterinary Graduates in Australia 2008-2014



	2008	2009	2010	2011	2012	2013	2014
Australia	400	350	460	409	441	560	578
Queensland	104	111	145	134	134	166	160

Source: http://highereducationstatistics.education.gov.au/

However, IBISWorld observes that this upward trend in graduates has placed downward pressure on average veterinary industry wages. The extent to which this influences potential future entrants' decisions to enter the profession is yet to materialise. While demand for specialist services is

[1] Allday, A 2016, *Industry Report M6970: Veterinary Services in Australia*, p. 4.
[2] *Ibid*, p.16
[3] *Ibid,* p 17

expected to increase, the number of new graduates is expected to decrease over time to reflect the demands of the market.[4]

Queensland, along with other Australian jurisdictions and New Zealand, is a member of the Australasian Veterinary Boards Council (AVBC). Part of the AVBC's role is to administer a nationally recognised model for veterinary registration across Australia which enables inter-jurisdictional recognition of registrants. It also administers qualifying exams for international applicants and registration criteria for specialist practitioners.

Veterinarians are also subject to jurisdictional regulation associated with food and drug acts, stock medicines, stock foods and poisons.

IBISWorld identifies the most important success factors for veterinary practices as appropriate facilities and access, reputation, appropriately targeting the local market, effective cost controls and pricing policies[5]. Of these factors, the current review is relevant to appropriateness of premises, reputation and costs of registration.

1.2 The *Veterinary Surgeons Act 1936*

The Act provides the regulatory framework for veterinary practice in Queensland.

The Act regulates services that are primarily directed at improving the health and welfare of animals, from animal husbandry through to medical or surgical treatment of sick animals. It also extends to services provided for other reasons, such as pregnancy testing or artificial insemination, where significant risks to animal health and welfare must be carefully managed.

In January 2013 a representative stakeholder reference group, including veterinarians, producers, and others impacted by the Regulation was replaced with a review committee consisting of five veterinarians to lead the review. This committee released an information paper for public comment in September 2013, and presented its final report, to then Minister Dr John McVeigh, in May 2014.

The review highlighted the competing interests in regulation of the profession. In particular, two main features of the Act which restrict entry into the animal services market were contentious:

- a restriction on who can practise veterinary science (the 'practice restriction')
- the requirement for approval of a premises where veterinary science is practised.

While some exceptions to the practice restriction are contained in the Regulation, the practice restriction prohibits non-veterinarians from performing most activities for fee or reward, limiting competition, for example in the provision of animal physiotherapy or pregnancy testing services. The Steering Committee concluded that strengthening restrictions was necessary to protect consumers and the welfare of animals.

Given the difficulty in reconciling the competing positions of stakeholders in relation to the 2014 review report, this RIS only addresses the funding of the Board, a key challenge identified in the review. Other policy issues arising from the review will continue to be progressed following the completion of this RIS process.

1.3 The Veterinary Surgeons Regulation 2002

Under the *Statutory Instruments Act 1992*, subordinate legislation such as regulations automatically expire 10 years after their making. This is designed to reduce the regulatory burden on the people of

[4] *Ibid*, p 8
[5] *Ibid*, p 19

Queensland, and to ensure that regulation is relevant to the economic, social and general wellbeing of the people of Queensland. In accordance with the *Statutory Instruments Act 1992*, the Veterinary Surgeons Regulation 2002 (the Regulation) is due for automatic expiry after 31 August 2016. As a result, the regulation must be reviewed before this date, to ensure the ongoing regulation of veterinary services in Queensland.

The Regulation sits under the Act and the powers of the Board are prescribed by the Act itself. The Act provides for the Regulation to address issues that are considered too technical or detailed to be suitable for inclusion in primary legislation.

The Regulation itself addresses four areas:

- Section 3 identifies acts that are not considered to be acts of veterinary science and therefore can be performed by persons other than vets. This includes certain husbandry and dentistry acts such as castrating and dehorning juvenile livestock;
- Part 3 details procedures for election of Veterinary Surgeons Board members; and
- Schedules 1, 2 and 2A prescribe registration, qualifications, examinations and administrative requirements; and
- Schedule 3 prescribes fees.

The department has undertaken a sunset review of the existing Regulation. All current provisions will be transitioned into a new Regulation, which will be updated to reflect modern drafting standards. The new Regulation must be in place by 1 September 2016.

1.4 The Veterinary Surgeons Board

The Veterinary Surgeons Board of Queensland is constituted to exercise and discharge the powers, authorities, duties and functions conferred or imposed upon it by the Act and the current Regulation.

The Board consists of a Chairperson and five other members appointed by the Governor-in Council. The Chairperson of the Board is a senior veterinary officer from the Department of Agriculture and Fisheries. Two veterinary members are elected by registered veterinarians, and the Minister for Agriculture and Fisheries appoints three other members, one of whom acts as a representative for consumers of veterinary services. The Board is supported by three staff, including the registrar of the Board.

The Board is responsible for the registration of veterinarians and veterinary specialists and administers the disciplinary provisions of the Act in respect of professional misconduct by registrants and the performance of prohibited practices by non-registered persons.

As the regulatory authority in relation to veterinary surgeons, compliance activity undertaken by the Board should address the full suite of regulatory tools ranging from discretionary activities such as education, inspections and audits through to non-discretionary premises approval, registration, complaints handling and sanctions.

Where resourcing is tight, discretionary activity tends to be set aside to meet non-discretionary demand. For the Board, the most resource intensive non-discretionary activity after registration relates to complaints and subsequent disciplinary processes which incur significant legal costs.

2 Issues Statement

2.1 Scope of Review

With the Regulation due for expiry on 31 August 2016, the department has undertaken a sunset review to evaluate the continuing relevance, effectiveness and efficiency of the regulation. The sunset review indicated that transitioning all provisions of the existing regulation was the most desirable outcome. The new Regulation will be updated to reflect modern drafting standards.

The sunset review identified regulatory fees as an issue. However, it concluded that a separate review of the fees was appropriate given the new Regulation must be in place by 1 September 2016. This RIS is the starting point for reviewing regulatory fees with a view to recovering the full cost of the services provided by the Board in line with Queensland Government policy.

2.2 Issues for consideration

This Consultation Regulatory Impact Statement considers three main issues relating to the adequacy of fee levels, which inform the options to be presented:

1. The Veterinary Surgeons Board's expenditure is currently exceeding revenue;
2. Whether the Board is currently able to provide adequate service delivery;
3. Whether the current fee burden is distributed appropriately across the registrant base.

2.2.1 Expenditure is exceeding revenue

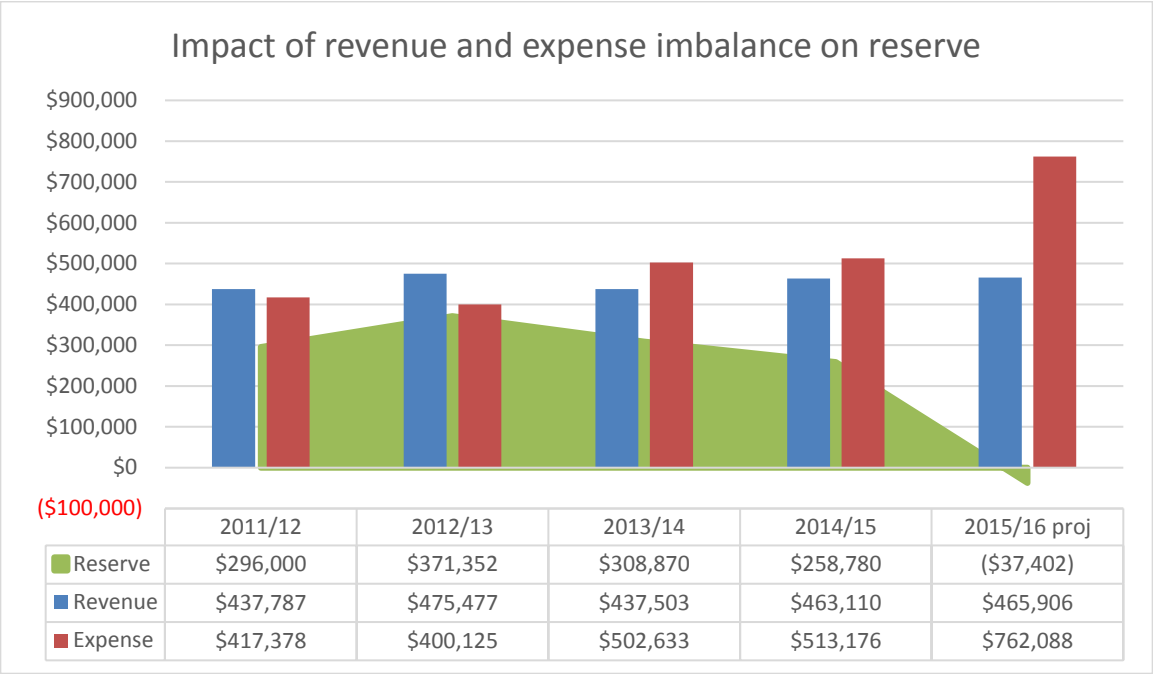
The Board's fee revenue is currently insufficient to fund all of its activities. The Department of Agriculture and Fisheries provides some in kind support to the Board to help reduce some of the Board's costs. While in kind support mainly consists of financial and accounting services and advice, historically accommodation was also provided to the Board.

Monthly reports of financial performance prepared by the Department of Agriculture and Fisheries are provided to the Board for consideration at meetings. The chairman of the Board is required by legislation to be a representative of the department and this includes representing the department's financial interests.

In 2014-15, the Board had expenses of $513 176, and generated revenue of $463 110. Despite regular monitoring and control measures undertaken by the Board, a number of unusual expense items, discussed later, have left a funding shortfall. This has to be met from the Board's reserve fund. Expenditure in 2015-16 is projected to be $762 088, with revenue projected at $465 906. This leaves a deficit of $296 182.

Historically, excess expenditure has been covered by deferred funds. However relying on funds accumulated from previous years to meet year-on-year deficits is not a sustainable approach to financing the Board's expenses. This financial year, the Board's expenses are projected to exceed its fee revenue leaving the balance of the cash reserve in deficit ($37 402). If nothing is done to address the revenue imbalance this position will only worsen. Figure 2 provides a representation of the growing gap between revenue and expenditure and the impact on reserves.

Figure 2: Impact of revenue and expense imbalance on Veterinary Surgeons Board reserve



	2011/12	2012/13	2013/14	2014/15	2015/16 proj
Reserve	$296,000	$371,352	$308,870	$258,780	($37,402)
Revenue	$437,787	$475,477	$437,503	$463,110	$465,906
Expense	$417,378	$400,125	$502,633	$513,176	$762,088

Note: Opening and closing reserve balances vary as a result of end-of-year budget reconciliations

The Board incurs expenses in providing registration services to the veterinary profession. A range of factors are driving costs up, including increased legal fees (a product of disciplinary and complaints activity) and new costs, such as accommodation. At the same time, the Board's revenue has not kept pace with expenditure, and fees have not been formally reviewed since the commencement of the Regulation in 2002.

The Board is in a challenging fiscal situation. It has a legal duty to administer the Act and provide guidance to, and oversight of, the veterinary profession in Queensland. In the absence of further subsidisation by taxpayers, misalignment of expenditure and revenue will result in a deterioration of service delivery by the Board. Moreover it precludes the Board from initiating discretionary compliance activities and exacerbates challenges around application processing and service delivery at peak periods in the registration process.

The *Financial Accountability Act 2009* requires the board to set fees that reflect the costs of administering the Act. Section 18 of the Financial and Performance Management Standard 2009 (made under the *Financial Accountability Act 2009*) provides that when setting charges for services, the full cost of providing the services must be considered. Current fee levels are not aligned with the *Queensland Government principles for fees and charges*.

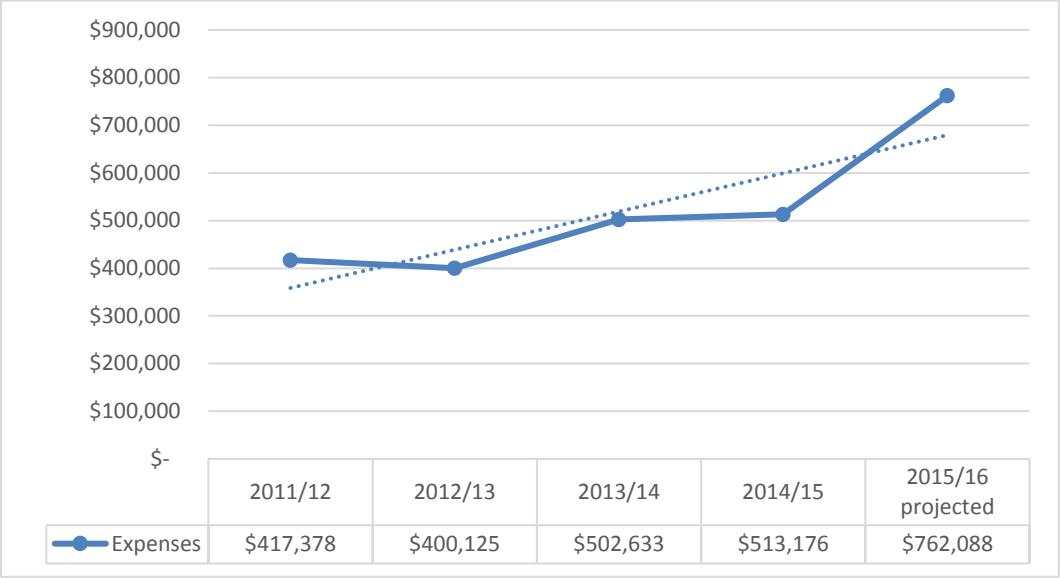
The Act itself provides an additional impetus for setting registration fees to achieve cost recovery. Under the Act, expenses incidental to the administration of the Act (for example, the expenses associated with processing applications for registration) are to be paid by the board out of its funds. For the most part, these are generated by fees received by the Board or the registrar. Moreover, constrained funding for the Board inhibits its ability to adequately oversee the professional conduct of veterinarians, potentially compromising the integrity and standing of the profession.

Expenditure

The Board delivers a range of services for veterinarians and Queensland consumers of veterinary services. Primarily these relate to the registration of veterinary surgeons, the registration of veterinary premises, oversighting the professional conduct of veterinarians (including complaints, misconduct and disciplinary proceedings), and providing consumer information.

In the conduct of these services, the Board incurs a range of expenses including: employee expenditure for the three staff that support the functions of the board, remuneration for board members, contributions to the Australasian Veterinary Boards Council (AVBC), and legal fees. The following graph illustrates the trend in expenditure.

Figure 3: Veterinary Surgeons Board Expenses over time



Source: Department of Agriculture and Fisheries

This expenditure pattern is further confirmed by an analysis of individual expenditure line items between years. The following table compares expense items between 2014/15 and 2015/16 and illustrates the drivers for the increased expenditure of the Board.

Table 1: Individual expenditure item comparison between 2014-15 and 2015-16

	2014/15	2015/16 Estimate
Total Employee Expenses	**$297 925**	**$312 568**
Supplies & Services		
Board Member Fees & Travel	$23 281	$30 000
Travel	$3 272	$6 000
AVBC Contribution	$66 184	$65 754
Office Accommodation	$-	$37 446
ITP Discretionary Services	$200	$25 000
Legal Solicitors Fees	$102 889	$250 000

	2014/15	2015/16 Estimate
Other expenses[6]	$19 425	$34 000
Total Supplies & Services	**$215 251**	**$448 200**
Total Depreciation	**$-**	**$1 320**
Total Expenses	**$513 176**	**$762 088**

Emergent cost drivers include legal expenses, rental expenses and information systems investments.

Legal Expenses

Decisions of the Board in relation to registration and veterinary premises approval may be appealed to the Queensland Civil and Administrative Tribunal (QCAT). Costs to the board associated with its disciplinary functions and in particular legal costs incurred in pursuing disciplinary matters through QCAT have increased considerably. A portion of these have been recovered through penalties paid into the Board's funds and more occasionally, awards of costs made by QCAT in favour of the Board – however, in practice this rarely occurs and cannot be relied upon as an income stream. Legal expense in 2015-16 is expected to be exceptionally high due to a four day QCAT hearing in March 2016; however an increasing trend is still emerging (see Table 2).

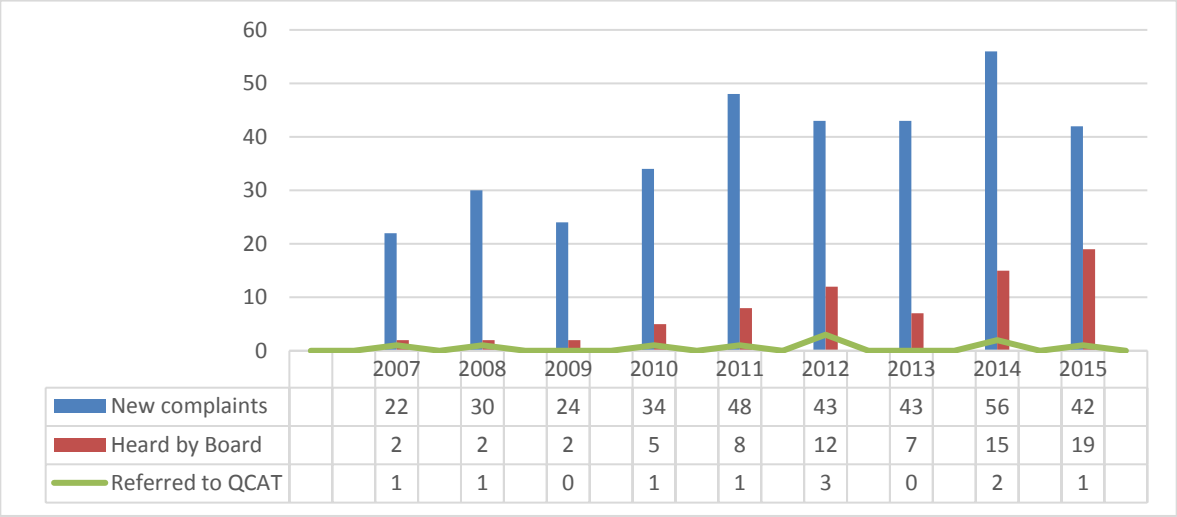
Table 2: Legal expenses trend 2011-2016

	2011/12	2012/13	2013/14	2014/15	Proj 15/16
Legal Expense	$59 723	$25 207	$30 079	$102 889	$250 000

As discussed in detail below, the most significant contributor to legal costs are matters that continue through to QCAT. While subject matter experts are engaged to assist the Board in making some determinations, the cost of engaging legal representatives is also incurred once a matter is brought into QCAT's jurisdiction.

As Figure 4 shows, the number of initial complaints received by the Board has tended to increase between the 2007 and 2015 calendar years. Data are drawn from records provided by the Board.

Figure 4: Complaints handled by the Veterinary Surgeons Board 2007-2015



[6] Other expenses is made up of administrative overhead such as computer costs, postage, bank fees, telephone and stationery.

Source: Veterinary Surgeons Board of Queensland

While some variability arises due to complaints carried over from previous years, the percentage of complaints where a *prima facie* case has been established against the practitioner has increased from less than 10% in 2007-2009 to more than 26% in 2014 and 35% in 2015. The number of matters proceeding to QCAT over that period has ranged from nil, through to 3 in 2012.

The impact of the increased *prima facie* cases and QCAT referrals is now playing out in increased legal expenses. However, legal expenses during the 2015/16 financial year are expected to be particularly high due to an 11 month hearing delay in QCAT from November 2014 to October 2015, while the QCAT sought to appoint a replacement veterinary member. This delay resulted in three matters stagnating before QCAT, two of which are considered significant:

- One of these significant matters has already incurred costs of more than $115 000 after a total of seven hearing days;
- The other significant matter is still in its early stages, but is also complex and expected to follow a similar path to the matter at the point above.

While 2015/16 expenditure is particularly high, it is anticipated that legal expenses will continue on a higher trend than previous years. This calendar year, a further 2 matters have been referred to QCAT and the Board is considering the referral of another 3 matters in coming months.

The Board advises that of the 42 complaints received in 2015, 9 involved multiple veterinarians and the Board anticipates that the nature of complaints will continue to become more complicated. The Board estimates that this is in a large part due to the fact that consumers are becoming better informed about their rights, with more information via the internet creating particular expectations about the veterinary management of their pet. These expectations are expected to play out in more initial complaints and more referrals to QCAT.

In parallel to an increasing frequency of complaints, legal fees have generally been rising. Australian Bureau of Statistics data suggests that legal fees rose by 15.7 points on the *Producer Price Index* between December 2011 and December 2015.[7] Over the same period inflation has only risen by an average of 8.5%.[8]

The Board considers that the recent demands on legal expense are not representative of future demand. Therefore, it anticipates to average around $120 000 in legal fees per year over the next four years. $120 000 is similar to the average of the Board's legal expenditure over the past three years.

Typically, any unspent funds at the end of a financial year are held in a reserve, which is then accessed for the purposes of meeting variable demands in future years.

Rental expenses

Due to the sale of the Primary Industries Building, the department is making progressive arrangements for the re-homing of departmental service areas.

Relocation of the Board provided an opportunity for the Board to be co-located with other complaints resolution services (such as the Queensland Ombudsman and Board of Professional Engineers). This location also serves to reinforce the independence of the Board.

[7] http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/6F15F0CA1F2C2EFECA25765800181C2B?opendocument

[8] http://www.rba.gov.au/calculator/annualDecimal.html

In July 2015, the administrative staff associated with the Board were relocated from cost free accommodation in the Primary Industries Building in Brisbane CBD to 53 Albert Street in Brisbane CBD. Rent payable is approximately $37 500 for the 2015/16 financial year (12 months), and is expected to increase with inflation.

Information Systems

It is estimated that for 2015/16, the Board will invest approximately $25 000 to address its most pressing management information system improvements. This expense has arisen through the age of the current systems underpinning the register and registration process, and the need to modernise service delivery. This is more fully discussed under section 4.4.2.

While some expense items are increasing rapidly, others are stable, yet substantial costs. These include:

- **Remuneration:** Board members and officers are remunerated for their services. Board members receive fees and allowances (for the cost of travel and other expenses) set by the Governor in Council.

  The registrar is a public service officer paid from Board funds, a salary that reflects the classification of the position. Two other public service officers are employed by the Board on a permanent basis. Employment service contractors may be engaged from time to time to perform routine tasks in peak periods. They are paid according to an applicable award.

- **Levies paid to the AVBC:** These levies are a significant expense for the Board (approximately $65 754 in 2015–16). Levies per (primary) registrant are set by annual resolution of the members of the AVBC. The members of the AVBC include the veterinary boards in all Australian jurisdictions. The return for the Board is AVBC accreditation of Australian veterinary schools and, for example, assessment of the qualifications and competency of overseas graduates through the National Veterinary Examination.

Revenue

Board revenue is primarily derived from fees under the Regulation. The Regulation currently prescribes a number of fees under the Act. These include:

- Fees for registration as a veterinary surgeons or veterinary specialists
- Annual registration fees for veterinary surgeons, specialists and retired veterinarians
- Fees for the restoration of the name of a veterinary surgeon or specialist to the register if they have previously been removed
- A fee for approval practice veterinary science under the supervision of a veterinarian (only available to overseas trained individuals eligible to sit the national veterinary qualifying exams)
- Fees for special registrants (which can allow an overseas-trained person who has not passed the national veterinary qualifying examination to engage in teaching or research); and
- Fees for approval and inspection of veterinary premises.

Current fee levels and frequency of use is illustrated in Table 3. Although the Board draws revenue from a wide range of fees, in practice the majority of revenue generated is derived from registration renewals (88.3% of all fee revenue). This means that the financial position of the Board is primarily linked to the total number of registrants.

While lower average wages are expected to place downward pressure on new entrants, while specialist numbers increase, (refer Veterinary Services in context 1.1), no firm projections in changes in frequency of fees is available. For the purposes of this RIS, it is assumed that these revenue movements will offset each other for the foreseeable future. As a result, the frequency figures for 2014/15, the most recent year of complete data, form the basis for all revenue projections in the document.

Table 3: Projected Veterinary Surgeons Board fee revenue for 2015-16

	2015/16 Fee	Estimated Frequency[9]	Projected Revenue[10]	Proportion of Revenue
Initial Applications				
New veterinary surgeons	$240.15[11]	196	$47 069	*10.1%*
New veterinary specialists	$315.35[12]	8	$2 523	*0.5%*
Renewal fees				
Veterinary surgeons	$165.15	2,272	$375 221	*80.6%*
Veterinary specialists	$330.30	74	$24 442	*5.2%*
Retired	$53.85	208	$11 201	*2.4%*
Retired Specialists	$219.00	2	$438	*0.1%*
Government veterinarians	$0	70	$0	*0.0%*
Other registration fees				
Restoration of name	$135.05	11	$1 486	*0.3%*
Duplicate certificate for registration	$44.80	0	$0	*0.0%*
Veterinary premise approval fees				
Veterinary premise approval	$150.20	17	$2 553	*0.5%*
Veterinary premise inspection	$300.55	2	$601	*0.1%*
TOTAL			**$465 534**	

Source: Veterinary Surgeons Board of Queensland

2.2.2 Service delivery of the Veterinary Surgeons Board

The review of the appropriateness of fees in the Regulation also offers an opportunity to consider whether the Board is currently able to fully deliver on the range of services required to oversight the veterinary profession. The following section provides an overview of three services provided by the Board:

- administrative processes for registration and renewal applications;
- misconduct and compliance activities; and
- customer information and communication.

[9] Based on frequency in 2014/15.
[10] Note the actual revenue for 2015/16 will differ from this figure.
[11] This combines a fee of $165.15 for initial registration with a $75 application fee.
[12] This assumes the prospective specialist registrant is already a registered veterinarian. To become a specialist, they must pay an additional registration fee of $165.15 in addition to the application fee of $150.20.

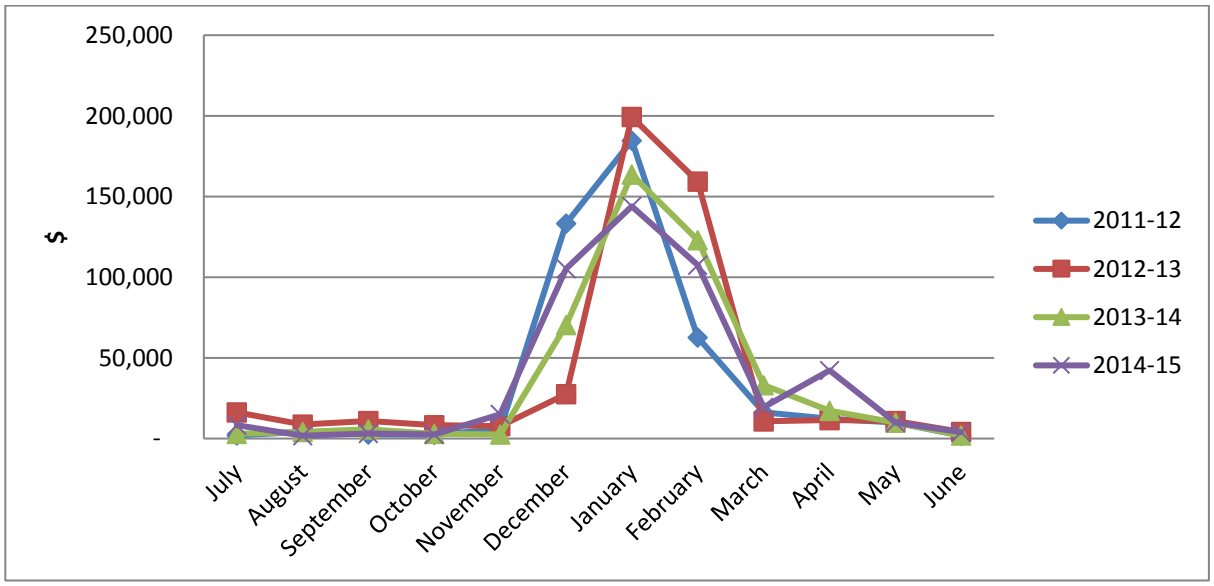
Current resourcing levels may compromise the Board's ability to deliver on these services in the most effective and efficient manner.

Registration and Renewal

Registration of veterinary surgeons and veterinary specialists is at the core of the Board's work. Registration is a prerequisite to the practice of veterinary science in Queensland. Registration is for the calendar year, and the Board has a responsibility to remove registrants who do not renew their registration by 31 January each year.

As Figure 5 shows, the vast majority of registration and renewal applications are concentrated between December and February each year.

Figure 5: Veterinary Surgeons Board cash flow 2011-12 to 2014-15



Significant pressure is placed on the registrar and administrative staff to focus on renewals over this period, as well as meeting 28 day deadlines in processing new applications or restorations (as required by section 25C of the Act).

The current process for registration and renewal is labour intensive. Out of necessity (to meet the timeframes in the Act), the front end registration process is separated from the back end register. As a result, registration correspondence, reminder notices, receipts, invoicing and certificates are dealt with manually in a first stage. This generates subsequent work in creating records for each registered veterinary surgeon to update the register. In turn, this work is delayed until after applications themselves are processed – registration details available to the Board and the public are outdated for several months as a result.

Nonetheless other obligations such as Board meetings, disciplinary proceedings and consumer information requests must also be supported. As a result the Board is unable to adequately provide for less time critical activities at this time, and it struggles with the volume of applications received. A significant amount of record keeping associated with the registration process is delayed until after peak demand has ceased.

Current service delivery standards are also minimal. Applications are generally paper based, although the Board has recently prepared an online form, which allows existing registrants to renew their registration online.

Misconduct and compliance

Due to the passage of some matters through the complaints process, the Board is aware that there are a number of practices that do not meet the current practice standards. Currently the legislation does not make continuing veterinary education mandatory and in some instances reviews undertaken by the Board suggest that some veterinarians are continuing to use methods and techniques that are now no longer appropriate due to medical advancements. The handling of some Hendra virus detections has also raised concerns in relation to a lack of biosecurity and hygiene standards which poses safety concerns for the staff and animals at these veterinarian practices.

Possible explanations for failing to meet standards falls within three main categories[13]

- lack of awareness and comprehension of the rules;
- an unwillingness to comply because of economic incentives, attitude or insufficient pressure from enforcement activities; and
- an inability to comply.

Which of these apply in a particular regulatory context determines which measures are likely to be effective. The traditional regulatory approach of establishing standards and legal enforcement mechanisms is not the sole means for government to influence compliance and may not be the most effective[14]. For example, education can be effective if there is a lack of awareness and comprehension of the rules. This is the case with the Australian Tax Office which provides education and advice as part of its compliance strategy based on the understanding that most taxpayers are "willing to do the right thing" or "try to, but don't always succeed".

However if there is an awareness but an unwillingness to comply because of, for example, insufficient pressure from enforcement activities, measures such as increasing the number of inspections are likely to be more effective. A combination of measures will be needed if there are several underlying causes.

On occasion, the Board has dealt with incidents where new graduates have been the subject of misconduct proceedings. In some instances, these incidents could have been avoided if either the graduate, or their supervising vet, had been better informed about current and emerging standards of practice. In these cases, education would be a cost effective measure to increase compliance and assist with mitigating upward pressure on legal expenses associated with complaints.

The Board has broad powers and responsibilities under the Act with regards to misconduct and compliance – it can investigate and take disciplinary action in relation to the professional conduct of veterinarians. Oversight maintains public confidence in the veterinary profession by ensuring that registered veterinarians can be entrusted to exercise the privileges conferred upon them for a proper purpose and provide an appropriate standard of care to animals.

Under the current financial and resource constraints of the Board, compliance activity is initiated only in response to complaints.

[13] OECD 2000, Reducing the risk of policy failure: challenges for regulatory compliance
[14] Ibid.

Similarly, resource constraints ensure the Board must prioritise compliance activities with respect of veterinary premises. Currently premises are only inspected when:

- a non-veterinarian applies for premises approval; or
- if the practice is going to be a hospital or emergency centre; or
- the Board receives a complaint about the standard of the practice.

For veterinarians, premises are approved purely "on the papers" and there is no initial follow-up or renewal inspection.

2.2.3 Distribution of fee burden

Veterinary registration fees are applied across a number of different registrant classes. Five key groups are differentially impacted by different renewal fee burdens, as explored in Table 4 below.

Table 4: Renewal Fee Burden by Registrant Type

	2015/16 Fee
Veterinary Surgeon	$165.15
New Graduate*	$165.15
Retired Veterinarian	$53.85
Veterinary Specialist	$330.30
Government Veterinarian	$0.00

* New Graduates also pay a $75 application fee.

The review of the appropriateness of fees in the Regulation offers an opportunity to consider whether the current approach to fees for specific categories of veterinary registrants remains appropriate.

Specialist veterinarians

Because these veterinarians cover a variety of specialisations, additional services are provided by the Board in terms of initial assessment and a separate register of specialist veterinarians. In addition, disciplinary proceedings involving specialists are more likely to require expert testimony.

Nonetheless, the recurrent cost of providing registration to specialists is not considered double that of veterinary surgeons. Yet the current fee structure provides for a basic $165.15 annual renewal fee plus an additional $165.15 renewal fee for specialists: a total of $330.30 a year (2015/16).

Retired Veterinarians

Retired veterinary surgeons (who must not be engaged in the practice of veterinary science and must be 55 or older) currently receive subsidised renewal fees - $53.85 as opposed to $165.15 for a veterinary surgeon (2015/16 rates). This reflects an approximate 66% subsidy. There were 208 retired veterinarians registered with the Board in 2014/15.

It is arguable that subsidisation of retired veterinarian fees contributes to the negative financial position of Board –resulting in projected foregone revenue of approximately $23 000 in 2015/16. However, retired veterinarians do not receive a direct commercial benefit as they are not engaged in the practice of veterinary science. Moreover, there are public benefits to having a record of who and where they are, particular in terms of surge needs during an emergency pest or disease response

such as equine influenza. It is debatable whether the access to drugs or poisons afforded by registration constitutes a private benefit.

Graduate veterinarians

Currently graduate veterinarians like all prospective registrable veterinary surgeons must pay an application fee and a registration fee for their initial registration. Currently the application fee is $75.00 and the registration fee is $165.15, meaning that new graduates face fee of $240.15 for their initial registration post study (2015/16 rates). This burden is above that of renewing veterinary surgeons, who are not required to pay the application fee (which takes into account the initial assessment to verify registration).

It is arguable that asking new graduates to shoulder the same burden as established veterinarians is inequitable and acts as a barrier to entry to the veterinary profession (in addition to a five year specialist tertiary course). Some other states, such as Western Australia offer a subsidy for new graduates who have not previously registered, to support the establishment of a steady flow of professionals. This recognises that there is a public benefit in a steady flow of new graduates, and the reduced capacity to pay of recent graduates, compared to established veterinarians.

Government Veterinarians

Currently there is a fee exemption policy for government workers. This is predicated on the assumption that they do not engage in private practice for fee or reward. 70 veterinary surgeons claimed this exemption in 2014/15.

It is arguable that subsidisation of government veterinarian fees contributes to the negative financial position of Board. For the 70 veterinarians claiming this exemption, it results in projected foregone revenue of approximately $11 500 in 2015/16. The counter arguments to this are:

- government veterinarians contribute purely for the public good and do not compete with the private sector; and
- it is common practice for employers to pay for mandatory registrations for employees and that imposition of the fee in the first instance simply creates an unnecessary administrative layer.

3 Policy Objectives

This RIS focuses on the appropriate levels of veterinary registration fees.

The overarching policy objective of government intervention is to reasonably enable the provision of animal health services and ongoing oversight of the veterinary profession while minimising risks to animal welfare and consumers of services.

Since 2002, Australian Governments have progressively introduced requirements for agencies to set charges which recover all the costs of providing products or services. The *Queensland Government Principles for Fees and Charges* includes the 'beneficiary pays' principle that those who benefit directly from the provision of a service should pay for it and that services provided to one client or group of clients should not be subsidised by fees and charges paid by others, unless there has been a deliberate decision by government.

This review aims to ensure that fees:

- are set with consideration for the full cost of providing services
- are equitable and reflect the resources required to register and oversight veterinary professionals and practices
- ensure the Veterinary Surgeons Board of Queensland is in a sustainable financial position and able to discharge its duties under the Act.

Prior to this review, fee increases have tended to be limited to increases to the Consumer Price Index (CPI) despite the fact that input drivers such as staffing, complexity, litigation, accommodation and utilities have exceeded the CPI.

The shortfall may sometimes be subsidised by other fee categories or consolidated revenue. Recurring operating deficits can operate to impose inequities on those parties who, by default, are subsidising the interests of a particular beneficiary group.

To support financial sustainability of the Board, the RIS seeks to engage with stakeholders and the community about the cost of service compared to the quality and effectiveness of the Board's role and services. The aim is to strike a pricing position that recognises the cost that veterinarians are able to bear on an equitable basis.

The preferred option will be the option that best achieves the policy objectives and provides the greatest net benefits for the community.

4 Options to achieve the objectives

This section of the RIS discusses options to address the current challenges before the Board, while continuing to minimise the risks to animal welfare, and consumers of animal health services and providing ongoing oversight of the veterinary profession.

As noted in section 2, these issues are:

1. The Veterinary Surgeons Board's expenditure is currently exceeding revenue;
2. Whether the Board is currently able to provide adequate service delivery;
3. Whether the current fee burden is distributed appropriately across the registrant base.

4.1 Options for regulatory fees

Current regulatory fees are insufficient to provide the Veterinary Surgeons Board of Queensland a sustainable funding base with which to register veterinarians, oversee the professional conduct of veterinarians and investigate offences against the Act. As section 2 demonstrated, the Board's revenue growth has become disconnected from increasing and additional expenses.

Drawing on information provided by the Board, the department has developed options for the appropriate level of fees under the Act. This RIS considers three options:

- Option 1: Continue to annually index current fees
- Option 2: 35% (uniform) fee increase to meet current expenditure, with no changes to fee structures
- Option 3: 55% (average) fee increase to enable better service delivery by the Board, and with changes to fee structures for specialist veterinarians, retired veterinarians and new graduates.

Table 5 provides a comparison of the different fee options considered.

Table 5: Comparison of options for regulatory fees

	2015/16 Fee	Projected 2016/17 fees		
		Option 1 (3.5% increase)	Option 2 (35% uniform increase)	Option 3 (55% average increase)
Renewals				
Veterinary Surgeon	$165.15	$170.95	$223.00	$256.00
New Graduate	$165.15	$170.95	$223.00	$192.00
Retired Veterinarian	$53.85	$55.75	$72.70	$128.00
Veterinary Specialist	$330.30	$341.90	$445.95	$356.00
Retired Specialist	$219.00	$226.70	$295.65	$228.00
s18A Special Approval	$165.15	$170.95	$223.00	$256.00
s19E (3) Special Registration Veterinary Surgeon	$165.15	$170.95	$223.00	$256.00
s19E (3) Special Registration Veterinary Specialist	$330.30	$341.90	$445.95	$356.00
Government Veterinarians	$-	$-	$-	$-
Application fee				
New Veterinary Surgeon	$75.00	$77.65	$101.25	$120.00
New Veterinary Specialist	$150.20	$155.50	$202.80	$150.00
Limited Registration	$29.80	$30.85	$40.25	$69.45

	2015/16 Fee	Projected 2016/17 fees		
		Option 1 (3.5% increase)	Option 2 (35% uniform increase)	Option 3 (55% average increase)
s19E (3) Special Registration Veterinary Surgeon	$75.00	$77.65	$101.25	$120.00
s19E (3) Special Registration Veterinary Specialist	$150.20	$155.50	$202.80	$150.00
Restoration and Duplicate Certificates				
Restoration of name for Veterinary Surgeon or Veterinary Specialist	$135.05	$139.80	$182.35	$150.00
Duplicate certificate for registration	$44.80	$46.40	$60.50	$69.45
Premise Approvals and Inspections				
Approval of premise	$150.20	$155.50	$202.80	$232.85
Inspection of premise	$300.55	$311.10	$405.75	$465.90

4.2 Option 1: Status Quo

This option preserves the status quo for veterinarians in Queensland. Fees would continue to increase in line with the government's approved indexation rate, currently 3.5% per year. The annual renewal fee for ordinary veterinary surgeons would increase to $170.95 in 2016/17. New registrants such as graduates would pay $248.60 (application fee + registration fee) in 2016/17.

4.2.1 Projected Board Expenditure

Detailed projections of the Board's expenditure over the next four years were developed to assist with development of options. These costs are based on an analysis of the Board's historical expenditure and include provision for new expense items, such as office accommodation. The expenses also include the $120 000 in annual legal expenses estimated by the Board.

It is assumed that Board's expenditure increases by 2.5% per year, which is in the middle of the target inflation range for the Reserve Bank of Australia. However, as Board fee revenue would be maintained at current levels, there would be a funding shortfall. Option 1 would only generate $483 257 in fee revenue in 2016/17. In the absence of further subsidisation by taxpayers misalignment of expenditure and revenue will result in a deterioration of service delivery by the Board.

Table 6: Projected expenses for 2016-2020 under Option 1

Description	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Total Employee Expenses	**312 182**	**319 987**	**327 986**	**336 186**
Supplies & Services				
Board Member Fees & Travel	30 750	31 519	32 307	33 114
Travel	6 663	6 829	7 000	7 175
AVBC Contribution	67 398	69 083	70 810	72 580
Office Accommodation	38 382	39 342	40 325	41 333
ITP Discretionary Services	0	0	0	0
Legal Solicitors Fees	120 000	120 000	120 000	120 000
Other expenses	35 875	36 772	37 691	38 633

Description	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Total Supplies & Services	**299 068**	**303 544**	**308 133**	**312 836**
Depreciation and Amortisation				
Office Equipment	1 320	1 320	1 320	1 320
Total Depreciation	**1 320**	**1 320**	**1 320**	**1 320**
TOTAL EXPENSES	**612 570**	**624 851**	**637 439**	**650 342**

4.2.2 Service Delivery Levels

This option provides no scope for the Board to continue current activities, and as a result does not provide for increased service delivery by the Board.

4.2.3 Distribution of fee burden

The current distribution of fee burden would be maintained. This means that:

- new graduates would be subject to the same fees as other veterinary surgeons.
- retired veterinarians would continue pay a 66% subsidised fee
- specialist veterinarians would continue to pay double the application and registration fees paid by veterinary surgeons
- government veterinarians would continue to be exempt from registration and renewal fees.

Table 7 sets out the proposed fees for Option 1.

Table 7: Proposed fees for Option 1 for 2016-17 with comparison to 2015-16

	2015/16 Fee	Option 1 (3.5% increase) Projected 2016/17 fees	Change from 2015/16
Renewals			
Veterinary Surgeon	$165.15	$170.95	*$5.80*
New Graduate	$165.15	$170.95	*$5.80*
Retired Veterinarian	$53.85	$55.75	*$1.90*
Veterinary Specialist	$330.30	$341.90	*$11.60*
Retired Specialist	$219.00	$226.70	*$7.70*
s18A Special Approval	$165.15	$170.95	*$5.80*
s19E (3) Special Registration Veterinary Surgeon	$165.15	$170.95	*$5.80*
s19E (3) Special Registration Veterinary Specialist	$330.30	$341.90	*$11.60*
Government Veterinarians	$0	$0	*$0*
Application fee			
New Veterinary Surgeon	$75.00	$77.65	*$2.65*
New Veterinary Specialist	$150.20	$155.50	*$5.30*

	2015/16 Fee	Option 1 (3.5% increase) Projected 2016/17 fees	Change from 2015/16
Limited Registration	$29.80	$30.85	*$1.05*
s19E (3) Special Registration Veterinary Surgeon	$75.00	$77.65	*$2.65*
s19E (3) Special Registration Veterinary Specialist	$150.20	$155.50	*$5.30*
Restoration and Duplicate Certificates			
Restoration of name for Veterinary Surgeon or Veterinary Specialist	$135.05	$139.80	*$4.75*
Duplicate certificate for registration	$44.80	$46.40	*$1.60*
Premise Approvals and Inspections			
Approval of premise	$150.20	$155.50	*$5.30*
Inspection of premise	$300.55	$311.10	*$10.55*

4.3 Option 2: 35% (uniform) fee increase to meet current expenditure, with no changes in fee structure

Option 2 assumes that the current upward expenditure trend for the Board will continue. It is based on introducing a uniform fee increase to place the Board on a sound financial footing. In this scenario, an across-the-board fee increase of 35%, in addition to ongoing fee indexation, would be implemented to achieve full cost recovery of the operations of the Board. The annual renewal fee for ordinary veterinary surgeons would increase to $223.00 in 2016/17. New registrants such as graduates would pay $324.25 (application fee + registration fee) in 2016/17.

Revenue generated under this option:

- is intended to meet emerging patterns in legal expenditure and rental expense
- would not provide capacity to improve service delivery via information technology enhancement
- would not free resources to undertake discretionary education and awareness preventative compliance activities.

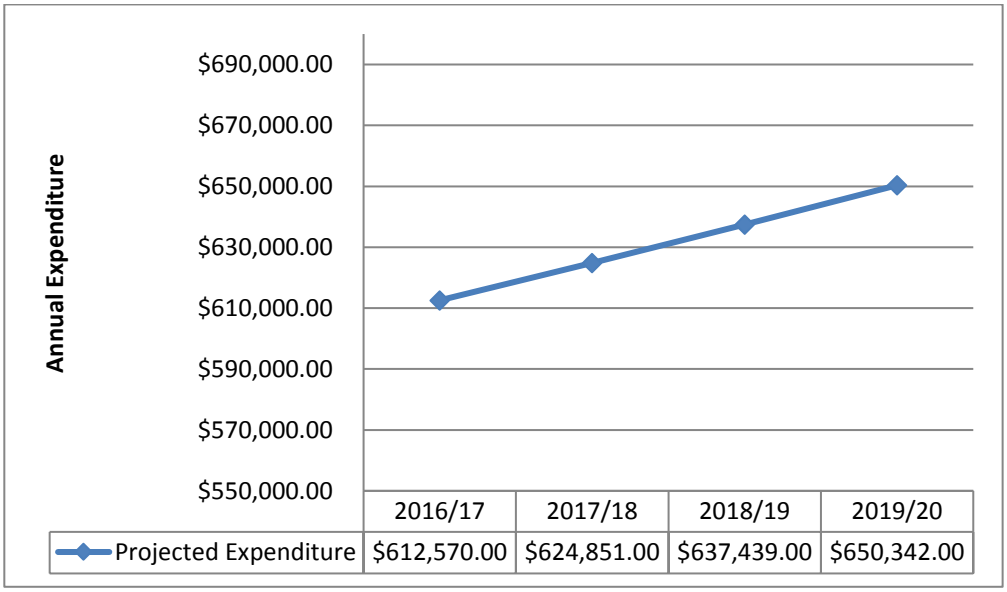
4.3.1 Projected Board Expenditure

Under Option 2, Board expenditure is expected to increase in line with projections developed for Option 1 (see section 4.2.1). This estimates that Board expenditure would be $612 570 in 2016/17.

Figure 6 charts the growth in expenditure over 4 years. It is assumed that Board's expenditure increases by 2.5% per year, which is in the middle of the target inflation range for the Reserve Bank of Australia.

Averaged over four years, the Board would need to collect approximately $631 300 on an annual basis to cover the costs of these services. This figure reflects the average expenditure anticipated over the four forecast years. A revenue increase of 35% would be required to recover this amount, which would provide the Board with a small reserve from the first year.

Figure 6: Expenditure-under-option-2



4.3.2 Service Delivery Levels

The Board provides three key services: registration and renewal applications (which include applications and renewals for registration as a veterinary practitioner, as well as approving premises); misconduct and compliance activities; and customer information and communication.

There is limited scope for the Board to increase service delivery outcomes under Option 2. Registration and renewal applications will still be a predominately manual process. The current trial of online renewal may not be able to proceed. Misconduct and compliance activities would continue on a reactive basis. However, increased funding for annual legal expenses may ensure other compliance activities are not curtailed to reduce costs where legal expenses exceed expectations. Customer information and communication would continue to be provided on an as needs basis.

4.3.3 Distribution of fee burden

Similar to Option 1, current fee structures would be maintained. This means that:

- new graduates would be subject to the same fees as other veterinary surgeons.
- retired veterinarians would continue to pay a 66% subsidised fee
- specialist veterinarians would continue to pay double the application and registration fees paid by veterinary surgeons
- government veterinarians would continue to be exempt from registration and renewal fees.

Table 8: Proposed fees for Option 2 for 2016-17 with comparison to 2015-16

	2015/16 Fee	Option 2 (35% increase) Projected 2016/17 fees	Change from 2015/16
Renewals			
Veterinary Surgeon	$165.15	$223.00	*$57.85*
New Graduate	$165.15	$223.00	*$57.85*
Retired Veterinarian	$53.85	$72.70	*$18.85*
Veterinary Specialist	$330.30	$445.95	*$115.65*
Retired Specialist	$219.00	$295.65	*$76.65*
s18A Special Approval	$165.15	$223.00	*$57.85*
s19E (3) Special Registration Veterinary Surgeon	$165.15	$223.00	*$57.85*
s19E (3) Special Registration Veterinary Specialist	$330.30	$445.95	*$115.65*
Government Veterinarians	$-	$-	*$-*
Application fee			
New Veterinary Surgeon	$75.00	$101.25	*$26.25*
New Veterinary Specialist	$150.20	$202.80	*$52.60*
Limited Registration	$29.80	$40.25	*$10.45*
s19E (3) Special Registration Veterinary Surgeon	$75.00	$101.25	*$26.25*
s19E (3) Special Registration Veterinary Specialist	$150.20	$202.80	*$52.60*
Restoration and Duplicate Certificates			
Restoration of name for Veterinary Surgeon or Veterinary Specialist	$135.05	$182.35	*$47.30*
Duplicate certificate for registration	$44.80	$60.50	*$15.70*
Premise Approvals and Inspections			
Approval of premise	$150.20	$202.80	*$52.60*
Inspection of premise	$300.55	$405.75	*$105.20*

4.4 Option 3: 55% (average) fee increase to enable better service delivery by the Board, and changes to fee structures for specialist veterinarians, retired veterinarians and new graduates

Option 3 is to increase fees on average by 55% to achieve full cost recovery of the operations of the Board, and to allow the Board to provide an improved level of service. This takes into consideration that with trends in its current expenditure, the Board is currently unable to provide a full suite of services to veterinarians and consumers of veterinary services. With this in mind, the Board has identified additional expenditure required to: provide surge capacity to enable faster processing of applications, and implement information system improvements to support digital service delivery. Option 3 also alters the distribution of the fee burden, moving towards a more equitable sharing of the costs of the Board.

The annual renewal fee for ordinary veterinary surgeons would increase to $256.00 in 2016/17. New registrants such as graduates would pay $312.00 (application fee + registration fee) in 2016/17.

Revenue generated under this option:

- is intended to meet emerging patterns in legal expenditure and rental expense
- would provide capacity to improve service delivery via information technology enhancement
- would free resources to undertake discretionary education and awareness preventative compliance activities.

4.4.1 Projected Board Expenditure

To arrive at an estimate of fee levels for Option 3, detailed projections of the Board's expenditure over the next four years were developed. These costs are based on the Board's current expenses, with the addition of improvements in services. The expenses also include the $120 000 in annual legal costs, which reflects the three year average in legal expenditure. New expenditure items include:

- $36 000 per annum for temporary staff to enable faster processing of applications
- $44 000 per annum for an improved information management system

Similar to Option 2, it is assumed that Board expenditure increases by 2.5% per year, which is in the middle of the target inflation range for the Reserve Bank of Australia. A revenue increase of approximately 55% would be required to recover this amount.

Under this scenario, the Board's average expenditure over the next four years would be $711 346. This figure reflects the average expenditure anticipated over the four forecast years. An average revenue increase of 55% would be required to recover this amount, and would provide the Board with a small reserve from the first year.

Table 9: Projected expenses for 2016-2020 under Option 3

Description	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Current Employee Expenses	312 182	319 987	327 986	336 186
Additional Resourcing	*34 722*	*35 590*	*36 479*	*37 391*
Total Employee Expenses	**346 904**	**355 576**	**364 466**	**373 578**
Supplies & Services				
Board Member Fees & Travel	30 750	31 519	32 307	33 114
Travel	6 663	6 829	7 000	7 175
AVBC Contribution	67 398	69 083	70 810	72 580
Office Accommodation	38 382	39 342	40 325	41 333
ITP Discretionary Services	*44 000*	*44 000*	*44 000*	*44 000*
Legal Solicitors Fees	120 000	120 000	120 000	120 000
Other expenses	35 875	36 772	37 691	38 633
Total Supplies & Services	**343 068**	**347 544**	**352 133**	**356 836**
Depreciation and Amortisation				
Office Equipment	1 320	1 320	1 320	1 320
Total Depreciation	**1 320**	**1 320**	**1 320**	**1 320**
TOTAL EXPENSES	**691 291**	**704 441**	**717 919**	**731 734**

4.4.2 Service Delivery Levels

Existing services are provided by the Board to register veterinary surgeons and specialists, provide oversight of the veterinary profession (particularly for misconduct), and to provide customers with relevant information about the Board's activities. However, as demand for services increase, the Board is facing pressure to prioritise finite resources to deliver its obligations under the Act (for example to process an application within 28 days) over discretionary activities necessary to support the integrity of the professional standing of the veterinary community, such as timely responses to complaints.

Option 3 proposes to enhance service delivery from the Board by:

- Appointing temporary staff to enable faster processing of applications; and
- Reforming the information management system which underpins applications and the registers.

4.4.2.1 Registration and Renewal

The Board currently has a number of challenges meeting its commitments to renew and process applications for new veterinary registrants. The vast majority of applications are processed between December and February (peak demand). However, as a result of poor information systems and limited resources, the predominately manual process has been split into front and back end functions. As a result, a full update of registration details is often not made until months after registrations and renewals are satisfied at the customer interface.

Under Option 3, two key changes are proposed which would enable the Board to more efficiently manage registration and renewal, freeing up skilled resources to focus on proactive compliance and other activities.

Temporary staff to speed up application processing

It is proposed that with adequate funding, the Board could appoint a temporary administrative officer on a surge basis (over the period of peak demand) to assist in processing applications. This would add an average of $36 000 per annum to Board expenditure.[15] It would free up more staff time to address less time critical, but high value activities, both during and after the peak demand period.

Information management systems

The Board needs to improve its information systems to more efficiently meet its own needs and the needs of consumers. The Board is in need of significant management information improvements in the following aspects:

- **Creating records**: at the present time, staff are largely reliant on Excel spreadsheets. Entry of registration details into the veterinary surgeons register is undertaken as a separate process from the generation of registration correspondence, reminder notices, receipts, invoicing and certificates. The absence of data integrity checks within this approach, and delays in updating of registers until after peak periods, means that registration details are outdated and have a higher risk of data errors. Most importantly, the inability of the system to accommodate a single data event for all purposes leads to significant inefficiencies in the use of skilled staff resources.

[15] Assumes an AO4 appointed for 4 months.

- **Maintaining records**: In addition to the efficiencies that accrue in the initial registration process, development of the system to facilitate the log in of registered veterinary surgeons to update their own registration details will offer further efficiencies.
- **Managing service requests**: This module would include tools such as enabling veterinarians to renew their registration on line, including addressing invoicing, receipting and payment and enquire as to the status of any processes or queries currently on foot. Consumer enquiries can be managed within such a system, providing filters ranging from frequently asked questions, through to escalation of existing complaints.
- **Case Management System**: Such a system will again allow for a single data capture event, generation of relevant paper work, provide a bring-up system for required timeframes and steps and provide a database capable of use for informing management decisions.
- **Publishing Registers**: Automatic publication of the registers on a real time basis will assist the Board in meeting its statutory obligations on a timely basis, with reduced human intervention. Further, with the benefit contemporaneous publication of the updated register to the web, a consumer interface can also be created to enable the general public to make enquiry in relation to the currency of practitioner registration, without personal attendance by Board staff.
- **Provide reports**: Consistent, centralised data will enable the Board to be briefed on a timely comprehensive basis and enhance the timeliness and quality of the Board's decision making process, again with minimal need for human intervention. The distribution of this information can also be brought in line with more modern, electronic approaches such as publication on Microsoft SharePoint.
- **Exchange information**: Where commonalities arise, it is increasingly efficient for governing bodies to share data base information (subject of course to privacy considerations). An everyday example includes the authority to implant identification microchips administered by the Department of Agriculture and Fisheries. A more unusual but, important circumstance, relates to animal disease outbreaks where it is critical to human health and disease containment to make rapid contact with veterinarians.

Enhancing the information management system requires progressive implementation and investment over a number of years and could be passed onto registrants through a fee increase. The Board has already committed $25 000 towards improving some systems, which has included development of an online form for renewal applications.

An additional investment of $44 000 per annum will assist the Board in improving the other aspects of digital service delivery outlined above, and to maintain improved systems. The efficiency savings these changes will generate are expected to progressively free up a portion of existing staff to engage in a more proactive compliance and stakeholder engagement.

4.4.2.2 Misconduct and Compliance

As explored in section 2.2.2, the Board currently only initiates compliance activity in response to complaints. In many cases, this sees the Board incur the costs of individually assessing complaints and can only occur after the manifestation of adverse impacts.

On occasion, the Board has dealt with incidents where new graduates have been the subject of misconduct proceedings. In some instances, these incidents could have been avoided if either the graduate, or their supervising vet, had been better informed about current and emerging standards of

practice. In these cases, education would be a cost effective measure to increase compliance and assist with mitigating upward pressure on legal expenses associated with complaints.

It is proposed to provide more education and phase in a proactive premises inspection regime. The initial education and awareness activities would include web based publications and newsletters and would be followed by information sessions at universities and industry forums as more human resource time became available.

Mitigation of complaints offers a means to reduce overall compliance and enforcement costs, prevent animal welfare incidents and also serves to preserve the reputation of the profession and augment consumer confidence in the standard of care being offered to animal patients.

By improving information systems, and reducing resourcing pressures during peak periods, the efficiencies gained would free up resources for proactive compliance activities. Educational activities would be delivered by newsletters and lectures to the profession, new graduates and industry.

4.4.2.3 Customer Information and Communication

As noted above, freeing up existing Board resources would enable it to provide education on compliance and misconduct, to ensure a proactive approach to high standards within the veterinary profession. In addition to the educational value of newsletters and lectures, they offer the opportunity to alert the profession in relation to:

- Information about practice standards;
- Legislative responsibilities, such as the requirements in relation to veterinary medicines;
- Biosecurity information;
- Invitations to submit to Parliamentary Inquiries such as the recent Hendra Vaccine;
- Continuing professional education;
- Board policies; and
- Outcomes from complaints (de-identified case studies).

4.4.3 Distribution of fee burden

The review of the appropriateness of fees in the Regulation offers an opportunity to consider whether the current approach to fees for specific categories of veterinary registrants remains appropriate. Section 2.2.3 outlines the current approach to distribution of fee burden. Option 3 proposes changes to the existing fee structures to reflect a more equitable distribution of the costs and benefits of registration.

Graduate veterinarians

Option 3 takes a different approach to the initial registration of new graduate veterinarians. It proposes that graduates would receive a subsidy of 25% on their registration fee for the first year of registration - $192.00 (for 2016-17), as opposed to $256.00 for veterinary surgeons. Graduates would continue to pay the initial application fee of $120 (2016-17).

Retired Veterinarians

Option 3 reassesses the distribution of public and private benefits associated with the registration of retired veterinarians. Rather than the current 66% fee subsidy (which implies the public benefit is twice as great as the private benefit), Option 3 suggests a 50% subsidy – in essence the public and

private benefits of registration are balanced. This would see retired veterinarians paying a renewal fee of $128.00 (in 2016-17), as opposed to $256.00 for veterinary surgeons.

Specialist veterinarians

Option 3 takes a different approach to fees for specialist veterinarians. It builds additional costs of initially processing a specialist applicant, by allowing for a larger application fee compared to a veterinary surgeon - $150.00 for an initial application for a specialist, over $120.00 for a veterinary surgeon (2016-17). This is a slight reduction from the *status quo* where specialists pay an equivalent application fee of $150.20 in 2015/16.

It also proposes an additional annual renewal fee of $100 for specialists (in 2016/17) to make allowance for the additional expertise that is required for specialist proceedings that arise in QCAT.

Government Veterinarians

Option 3 proposes to continue the current fee exemption for government veterinarians, provided they do not engage in private practice. Private practice (including casual, part-time or locum work) would disqualify veterinary surgeons from this exemption.

Table 10: Proposed fees for Option 3 for 2016-17 with comparison to 2015-16

	2015/16 Fee	Option 3 (55% increase) Projected 2016/17 fees	Change from 2015/16
Renewals			
Veterinary Surgeon	$165.15	$256.00	*$90.85*
New Graduate	$165.15	$192.00	*$26.85*
Retired Veterinarian	$53.85	$128.00	*$74.15*
Veterinary Specialist	$330.30	$356.00	*$25.70*
Retired Specialist	$219.00	$228.00	*$9.00*
s18A Special Approval	$165.15	$256.00	*$90.85*
s19E (3) Special Registration Veterinary Surgeon	$165.15	$256.00	*$90.85*
s19E (3) Special Registration Veterinary Specialist	$330.30	$356.00	*$25.70*
Government Veterinarians	$-	$-	*$-*
Application fee + initial registration			
New Veterinary Surgeon	$75.00	$120.00	*$45.00*
New Veterinary Specialist	$150.20	$150.00	*-$0.20*
Limited Registration	$29.80	$69.45	*$39.65*
s19E (3) Special Registration Veterinary Surgeon	$75.00	$120.00	*$45.00*
s19E (3) Special Registration Veterinary Specialist	$150.20	$150.00	*-$0.20*
Restoration and Duplicate Certificates			
Restoration of name for Veterinary Surgeon or Veterinary Specialist	$135.05	$150.00	*$14.95*
Duplicate certificate for registration	$44.80	$69.45	*$24.65*
Premise Approvals and Inspections			
Approval of premise	$150.20	$232.85	*$82.65*
Inspection of premise	$300.55	$465.90	*$165.35*

5 Stakeholder impact

This section of the RIS addresses the impact of the options in meeting policy objectives about ease of doing business, competition and animal welfare. Impact will be assessed as the benefits and costs to government, the community, and the veterinary profession.

Assumptions about numbers of veterinarians and the frequency of fees

The impact assessment provided below is predicated on assumptions about the number of veterinarians in Queensland and the frequency with which each fee type is used. For the purposes of the impact assessment, it is assumed that new entrants to the profession are offset by those who choose not to renew their registration. This impacts the use of registration and renewal fees, which generate the majority of Board revenue. It is also assumed that the Board continues to receive the same volume of new premise approvals and continues to inspect the same number of premises.[16] As a result, the frequency figures for 2014/15 form the basis for all revenue projections in the document (see Table 3 for these figures). It is accepted that depending on actual registration figures, revenue will vary. This applies to all revenue projections in this RIS.

5.1 Overview of key differences between options

To understand the impact of the options on various stakeholders, it is first necessary to understand specifically how the options differ. The following table compares Option 1 (3.5% increase), Option 2 (35% uniform fee increase) and Option 3 (55% average fee increase) in how they would address the policy issues identified in the issues for consideration section.

Table 11: Overview of key differences between options

Policy Problem	Option 1 – 3.5% (uniform) fee increase in line with the government's approved indexation rate	Option 2 – 35% (uniform) fee increase to meet current expenditure, with no changes in fee structures	Option 3 – 55% (average) fee increase to enable better service delivery by the Board, and changes to fee structures for some registrant classes
Sustainable funding of the Board	Ongoing funding for the Board's current activities would be achieved by contributions from veterinary registrants and the taxpayer	Sustainable funding for the Board's current activities would be achieved	Sustainable funding for the Board's current activities and improvements would be achieved.
Level of Board Expenditure and service	There is limited scope provided for the Board to continue to provide current service levels. It is likely that compliance and enforcement activities would be reduced.	Current service standards in processing applications, compliance and customer information would be maintained. A $120,000 budget for legal fees would facilitate ongoing cases before QCAT.	The Board will invest in improving service delivery by modernising information systems and allowing for temporary staffing to speed up application processing. A $120,000 budget for legal fees would facilitate ongoing cases before QCAT. Proactive compliance activities and education would be undertaken by the Board
Appropriate fee levels of for specialist veterinarians	Specialist veterinarians would continue to pay two renewal fees, in essence twice the fees paid by veterinary surgeons.	Specialist veterinarians would continue to pay two renewal fees, in essence twice the fees paid by veterinary surgeons.	Specialist veterinarians would continue to pay a larger initial application fee (compared to veterinary surgeons), but would only pay $100 more than veterinary surgeons for renewal.

[16] Although some increase in premise inspections may occur over time, these are not considered significant enough to warrant changes – together premise approvals and inspections make up 0.6% of the Board's annual revenue.

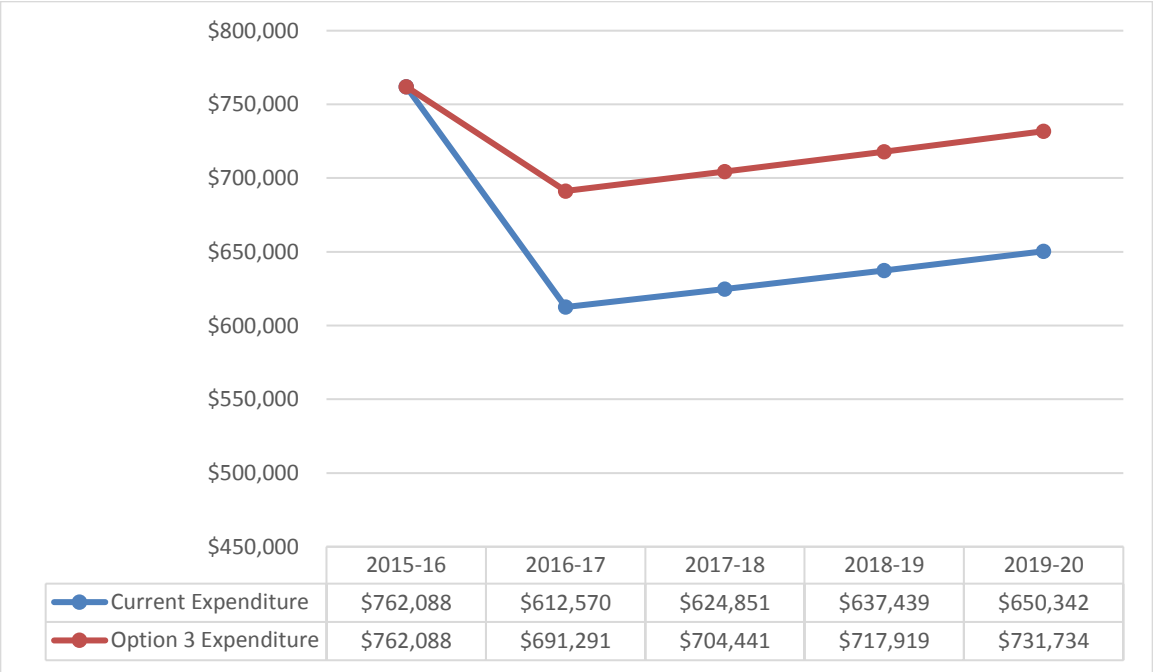
Policy Problem	Option 1 – 3.5% (uniform) fee increase in line with the government's approved indexation rate	Option 2 – 35% (uniform) fee increase to meet current expenditure, with no changes in fee structures	Option 3 – 55% (average) fee increase to enable better service delivery by the Board, and changes to fee structures for some registrant classes
Appropriate levels of subsidy for government veterinarians	Recognising the public benefits provided by government veterinarians, they would continue to receive fully subsidised fees.	Recognising the public benefits provided by government veterinarians, they would continue to receive fully subsidised fees.	Recognising the public benefits provided by government veterinarians, they would continue to receive fully subsidised fees.
Appropriate levels of subsidy for retired veterinarians	Retired veterinarians would continue to receive a 66% fee subsidy.	Retired veterinarians would continue to receive a 66% fee subsidy.	Reconsidering the private benefits conferred by registration as a veterinary surgeon, retired veterinarians would see their fee subsidy reduced to 50%.
Appropriate levels of subsidy for graduate veterinarians	Graduate veterinarians would receive no special treatment, and continue to pay the initial application fee and full year renewal fee in their first year.	Graduate veterinarians would receive no special treatment, and continue to pay the initial application fee and full year renewal fee in their first year.	Graduate veterinarians would receive a 25% subsidy on their initial registration fee (not their application fee).

5.1.1 Projection of Board Expenses

A key issue outlined in the issues statement was whether additional expenditure is required over and above that currently available to the Board, to increase service delivery outcomes for Queensland veterinarians and consumers. As explored in section 4, Options 1 and 2 were formulated on the basis of the Board's current expenditure pattern. By comparison, Option 3 built in the additional costs of improvements to information systems and temporary staffing to speed up registrations and renewals. These costs were then indexed at 2.5% per year – consistent with the Reserve Bank's target rate for inflation.

The following figure compares the expected expenditure growth of the Board under Options 1 and 2 (current expenditure) and Option 3 (increased expenditure).

Figure 6: Projected Veterinary Surgeons Board expenses across options 2015-2020



	2015-16	2016-17	2017-18	2018-19	2019-20
Current Expenditure	$762,088	$612,570	$624,851	$637,439	$650,342
Option 3 Expenditure	$762,088	$691,291	$704,441	$717,919	$731,734

5.1.2 Projection of Board Fee Revenue

Central to the Board's financial sustainability (and therefore its ability to deliver services under the Act) is its capacity to raise revenue. In the case of Option 1, revenue is a product of an indexation of current fees by 3.5%. By comparison, revenue for Option 2 and Option 3 were derived from the projected expenditure under each respective option. For Option 2, a uniform 35% fee increase was required to match the four year average of the projected expenditure. Option 3 took an average fee increase of 55% to match the increase revenue required to deliver improved services. However, under Option 3, some fees have risen by more (138% for retired veterinarians, who see their subsidy reduced to 50%) or less (8% for specialist veterinarians, who would no longer pay double the ordinary registration fee) than 55%. Table 12 provides an overview of the estimated revenue generated under each option in 2016-17.

Table 12: Projected Veterinary Surgeons Board fee revenue across options 2016-17

	Option 1	Option 2	Option 3
Applications	$52 705	$68 743	$65 200
Renewals	$425 748	$555 369	$635 056
Other fees	$1 538	$2 006	$1 650
Premise Approvals	$3 266	$4 259	$4 890
Total	**$483 257**	**$630 377**	**$706 796**

5.2 Assessment of costs and benefits

Each option will manifest a different set of benefits and costs for the government, veterinarians and the community. The following section explores the specific impacts of each option on these groups. Note that generally costs and benefits experienced by veterinarians are discussed collectively. Where some classes of veterinarians (e.g. retired veterinarians) receive differing benefits or costs, this is identified. Table 13 summarises these impacts.

The assessment takes Option 1 as the baseline of analysis (status quo option). In 2016/17, fees under the Regulation would increase by 3.5% in line with government policy. Government fees are generally indexed annually. Costs and benefits are derived by comparing the options against the baseline (Option 1).

Table 13 also presents the increase in fees under options 1, 2 and 3 (in 2016/17) relative to the fees in 2015/16 so that stakeholders can clearly see by how much their fees would increase under the different options. Where costs and benefits are quantified in the assessment, they are for the 2016/17 financial year. This includes noting the costs and benefits of the 3.5% fee indexation under Option 1. A direct comparison is also provided with Option 1 in parentheses to aid in interpretation.

It must be noted that under Options 2 and 3, Board expenses would be covered by increased fee revenue. Under Option 1, the Board would have a revenue shortfall of approximately $129 313 in 2016/17. There is a risk that this deficit is covered by the Queensland taxpayer and that increased pressure is brought to bear on the Board to reduce services to limit costs.

Table 13: Impact Assessment of Options 2 and 3 compared to status quo

Impact Group	Option 1 — 3.5% increase (Baseline of analysis – impacts are current issues unless specified)	Option 2 — 35% increase, same fee structure (compared to baseline Option 1)	Option 3 — 55% increase, improved service, amended fee structure for some registrants (compared to baseline Option 1)
Benefits			
Government	Board revenue increases by $16 401 (2016/17, relative to 2015/16 fees).	Full cost recovery of service provided. Avoids risk of taxpayer having to subsidise the Board which is likely under Option 1. Board revenue increases by $147 120 in 2016/17 relative to Option 1. (Total revenue of $630 377). Board is able to adequately discharge services to the community. Avoids deterioration in service levels, which is a risk under of Option 1.	Full cost recovery of service provided. Avoids risk of taxpayer having to subsidise the Board which is likely under Option 1. Board revenue increases by $236 083 in 2016/17 relative to Option 1. (Total revenue of $719 340). Board is able to adequately discharge services to the community. Avoids deterioration in service levels, which is a risk under of Option 1. Improvement in service levels: • New information systems mean better data collection and collation. • More up to date information about registrants in database reduces costs in emergencies. • Surge resourcing frees up capacity for value added services such as compliance education.
Veterinarians		Registration applications continue to be processed adequately. Avoids a potential deterioration in service levels provided to Veterinarians (which is a risk under Option 1). For example, avoids longer application processing times and the risk of not processing applications within 28 day timeframe and inaccurate maintenance of register and delayed registrations. Board compliance activities maintain the integrity of the profession (avoids the risks under Option 1 where there is likely to be deterioration in service levels due to funding shortfalls).	Registration applications are processed quickly and efficiently. Avoids a potential deterioration in service levels provided to Veterinarians (which is a risk under Option 1). For example, avoids longer application processing times and the risk of not processing applications within 28 day timeframe and inaccurate maintenance of register and delayed registrations. New information systems make registration easier and more user friendly. Board compliance activities maintain the integrity of the profession (avoids the risks under Option 1 where there is likely to be deterioration in service levels due to funding shortfalls). Compliance education helps practitioners understand practice risks and obligations, thereby assisting them to

Impact Group	Option 1 — 3.5% increase (Baseline of analysis – impacts are current issues unless specified)	Option 2 — 35% increase, same fee structure (compared to baseline Option 1)	Option 3 — 55% increase, improved service, amended fee structure for some registrants (compared to baseline Option 1)
			avoid inadvertent failure to meet the requirements of the Act easier.
Specialist Vets	Currently: Specialist vets pay twice the annual renewal fee (see Section 2.2.3)	No additional benefit compared to Option 1 as Specialist vets continue to pay twice the annual renewal fee.	No additional benefit compared to Option 1, as Specialist vets still pay higher fees under Option 3. (However, note changes to fees for specialist vets under Option 3 sees them pay $100 in addition to the renewal fee for a veterinary surgeon, rather than twice the regular renewal fee, resulting in a lesser increase in fees compared to Option 2)
Government Vets	Currently: Government vets utilise fully subsidised fees (see Section 2.2.3).	No additional benefit compared to Option 1 as Government vets continue to utilise fully subsidised fees.	No additional benefit compared to the Option 1 as Government vets continue to utilise fully subsidised fees.
Retired Vets	Currently: Retired veterinarians receive 66% fee subsidy (see Section 2.2.3),	No additional benefit compared to Option 1 as Retired veterinarians still pay higher fees under Option 2. (Note under Option 2, Retired veterinarians maintain 66% fee subsidy)	No additional benefit compared to Option 1 as Retired veterinarians still pay higher fees under Option 3. (Note under Option 3, Retired veterinarians receive a lesser 50% fee subsidy. See cost impacts.)
New Graduates	Currently: New graduates pay the full veterinary surgeons fee (see Section 2.2.3).	No additional benefit compared to Option 1 as New graduates continue to pay the full veterinary surgeons fee.	No additional benefit compared to Option 1 as New graduates still pay higher fees under Option 3. (However, note under Option 3 New graduates receive a 25% subsidy for their initial registration fee resulting in a lesser increase of fees compared to Option 2.)
Community		Maintains the community's confidence in the Board's capacity to oversight veterinary profession. Avoids a potential risk to consumers' confidence in the quality of care and in animal welfare outcomes under Option 1. The community is no longer at risk of consolidated revenue funds being diverted from policy priorities to fund Board shortfall (which is a risk under Option 1).	Maintains the community's confidence in the Board's capacity to oversight veterinary profession. Avoids a potential risk to consumers' confidence in the quality of care and in animal welfare outcomes under Option 1. The community is no longer at risk of consolidated revenue funds being diverted from policy priorities to fund Board shortfall (which is a risk under Option 1).

Impact Group	Option 1 — 3.5% increase (Baseline of analysis – impacts are current issues unless specified)	Option 2 — 35% increase, same fee structure (compared to baseline Option 1)	Option 3 — 55% increase, improved service, amended fee structure for some registrants (compared to baseline Option 1)
			Potential for an increase in compliance levels and an associated benefit to animal welfare.
Costs			
Government	Current issues as set out in the issues statement: Expenditure is exceeding revenue (see Section 2.2.1): Assuming $612 570 in expenditure in 2016/17 (consistent with current levels of service under Option 2), the taxpayer would need to subsidise the Board by $129,313. Risk of decline in service levels due to lack of funding (see Section 2.2.2): Board comes under increasing resourcing pressure to process applications within 28 day timeframe. Inaccurate maintenance of register and delayed registrations result. Board comes under pressure to reduce compliance activities, and incidents of misconduct increase.		Existing forms need to be changed to accommodate new fee structures for veterinary specialists, retired veterinarians and graduates.
Veterinarians	Currently: Veterinarians pay 3.5% more for registration in 2016-17 than in 2015-16, representing the status quo CPI fee increase. This amounts to a collective additional imposition of $16 401 across the industry. Risk of decline in service levels due to lack of funding (see Section 2.2.2): The potential inability of the Board to process applications in time means some veterinarians may be unregistered. Board comes under pressure to reduce compliance activities, and there is the potential that incidents of	Veterinarians pay 35% more for registration in 2016/17 than they paid in 2015/16 (31.5% more than they would pay in 2016/17 under Option 1).This amounts to a collective additional imposition of $163 522 across the industry ($147 120 compared to Option 1). All types of fees go up by 35%.	Veterinarians pay on average 55% more for registration in 2016-17 than they paid in 2015-16. This amounts to a collective additional imposition of $239 941 across the industry ($223 540 compared to Option 1).

Impact Group	Option 1 — 3.5% increase (Baseline of analysis – impacts are current issues unless specified)	Option 2 — 35% increase, same fee structure (compared to baseline Option 1)	Option 3 — 55% increase, improved service, amended fee structure for some registrants (compared to baseline Option 1)
	misconduct increase, impacting on the standing of the profession.		
Vet Surgeons	Currently: Each registrant pays an additional $5.80 for renewal in 2016-17 compared to 2015-16, representing the status quo CPI fee increase. This amounts to a collective additional imposition of $13 177 across the pool of registered veterinary surgeons. Full fee paying registrants subsidise retired veterinarians and government veterinarians (see Section 2.2.3).	Each registrant would pay an additional $57.85 for renewal in 2016/17 than they paid in 2015/16 ($52.05 more than they would pay in 2016/17 under Option 1). This represents a 35% increase. This amounts to a collective additional imposition of $131 435 across the pool of registered veterinary surgeons ($118 258 compared to Option 1). Note: Full fee paying registrants continue to subsidise retired veterinarians and government veterinarians as in Option 1.	Each registrant would pay an additional $90.85 for renewal in 2016-17 than they paid in 2015-16 ($85.05 more than they would pay in 2016-17 under Option 1). This represents an average 55% increase. This amounts to a collective additional imposition of $206 411 across the pool of registered veterinary surgeons ($193 234 compared to Option1). Note: Full fee paying registrants continue to subsidise retired veterinarians and government veterinarians. Ordinary registrants also absorb the cost of reduced fees for veterinary specialists as in Option 1.
Specialist Vets	Currently: Specialist veterinarians pay twice the annual renewal fee (see Section 2.2.3). Each registrant would pay an additional $11.60 for renewal in 2016-17 compared to 2015-16, representing the status quo CPI fee increase. This amounts to a collective additional imposition of $858. Specialists may be cross subsidising other registrants, over and above retired veterinarians and government veterinarians.	Specialist veterinarians continue to pay twice the annual renewal fee. Each registrant would pay an additional $115.65 for renewal in 2016/17 compared to 2015-16 ($104.05 more than they would pay in 2016-17 under Option 1). This amounts to a collective additional imposition of $8 558 ($7 700 compared to Option 1). Note: Specialists may be cross subsidising other registrants, over and above retired veterinarians and government veterinarians.	Each registrant would pay an additional $25.70 for renewal in 2016/17 compared to 2015-16 ($14.10 more than they would pay in 2016-17 under Option 1). This amounts to a collective additional imposition of $1 902 ($1 043 under Option 1). Note: Specialist Vets are benefiting from a much smaller increase in fees (7.9% as opposed to the average 55% increase so that their renewal fee is now $100 more whereas currently it is double the vet surgeon fee).
Government Vets	Currently: Government veterinarians pay no registration fees (see Section 2.2.3).	No extra costs compared to Option 1 or 2015-16, because government veterinarians pay no registration fees.	No extra costs compared to Option 1 or 2015-16, because government veterinarians pay no registration fees.
Retired Vets	Currently: Each registrant pays an additional $1.90 for renewal in 2016-17 compared to 2015-16 representing the status quo CPI fee increase. This amounts to a collective additional imposition of $395.	Each registrant would pay an additional $18.85 for renewal in 2016-17 compared to 2015-16 ($16.95 more than they would pay in 2016-17 under Option 1). This amounts to a collective additional imposition of $3 921 ($3 526 under Option 1).	Each registrant would pay an additional $74.15 for renewal in 2016-17 compared to 2015-16 ($72.25 more than they would pay in 2016-17 under Option 1). This amounts to a collective additional imposition of $15 423 ($15 028 under Option 1).

Impact Group	Option 1 — 3.5% increase (Baseline of analysis – impacts are current issues unless specified)	Option 2 — 35% increase, same fee structure (compared to baseline Option 1)	Option 3 — 55% increase, improved service, amended fee structure for some registrants (compared to baseline Option 1)
			Note: Retired Vets are facing a 138% increase in fees. However, they are still being heavily subsidised (by $128) with a new renewal fee of $128 compared to the vet surgeon renewal fee of $256.
New Graduates	Currently: New graduates pay the initial application fee and a renewal fee up front (see Section 2.2.3). Each new registrant pays an additional $8.45 for their first registration in 2016-17 compared to 2015-16 representing the status quo CPI fee increase. This amounts to a collective additional imposition of $1 656. Full fee paying registrants subsidise retired veterinarians and government veterinarians.	New graduates pay the initial application fee and a renewal fee up front. Each new registrant would pay an additional $84.10 for their first registration in 2016-17 compared to 2015-16 ($75.65 more than they would pay in 2016-17 under Option 1). This amounts to a collective additional imposition of $16 484 ($14 827 under Option 1). Note: Full fee paying registrants continue to subsidise retired veterinarians and government veterinarians, as under Option 1.	New graduates pay the initial application fee and a renewal fee up front. Each new registrant would pay an additional $71.85 for their first registration in 2016-17 compared to 2015-16 ($63.40 more than they would pay in 2016-17 under Option 1). This amounts to a collective additional imposition of $14 083 ($12 426 under Option 1). Note: New graduates are facing a 30% increase which is lower than the average increase of 55%. They are being subsidised in Option 3, compared to Option 1 where there is no subsidisation for Graduate vets.
Community	Current issues: Expenditure is exceeding revenue (see section 2.2.1): The taxpayer bears a greater share of the risk of the Board's expenditure exceeding revenue – the differential is met from consolidated revenue. Risk of decline in service levels due to lack of funding (see section 2.2.2): Reduced compliance activities by the Board means that consumers are more vulnerable to incidents of professional misconduct. Potential increase in incidents of misconduct or lack of compliance could adversely affect animal welfare.	There is some potential for veterinarians to pass the cost of a fee increase onto consumers of veterinary services.	There is some potential for veterinarians to pass the cost of a fee increase onto consumers of veterinary services.

5.3 Benchmarking

While not completely structurally comparable, Table 14 demonstrates that fees in Queensland are generally below those charged in comparable jurisdictions.

The most significant fees are in relation to entry to the market and recurrent annual costs:

Table 14: Comparison of significant veterinary fees by Australian Jurisdiction – As at 30 June 2015

	New Application (assessment only)		Renewal (yearly)	
Jurisdiction	**Vet**	**Specialist**	**Vet**	**Specialist**
Queensland current	**$75.00**	**$150.20**	**$165.15**	**$330.30**
Queensland Option 1	**$77.65**	**$155.50**	**$170.95**	**$341.90**
Queensland Option 2	**$101.25**	**$202.80**	**$223.00**	**$445.95**
Queensland Option 3	**$120.00**	**$150.00**	**$256.00**	**$356.00**
New South Wales	$125	$220	$275	$275
Victoria	$130	$60	$340	$540
Western Australia	$125	$185	$410	$490
South Australia	$200	$400	$490	$780
Australian Capital Territory	$66	$148	$333	$540
Tasmania	$120	$320	$384	$384
Northern Territory	$57	$58	$115	$287

Under the current fee structure veterinarians and specialists are required to pay a new applicant fee, to cover assessment and initial registration, and the fee for their first year of registration. For veterinary surgeons, this leads to an upfront cost of $240.15 (2015-16) and for specialists $480.50 (2015-16).

Under the proposed options, the comparable upfront cost to register for 12 months is set out in Table 15.

Table 15: First year cost of registration (including initial assessment and one year registration) across all jurisdictions

Initial registration outlay	Opt 1	Opt 2	Opt 3	NSW	Vic	WA	SA	ACT	Tas	NT
Surgeon	**$248.60**	**$324.25**	**$312.00** [17]	$400	$470	$535	$690	$399	$504	$172
Specialist	**$497.40**	**$648.75**	**$506.00**	$495	$600	$675	$1,180	$688	$704	$345

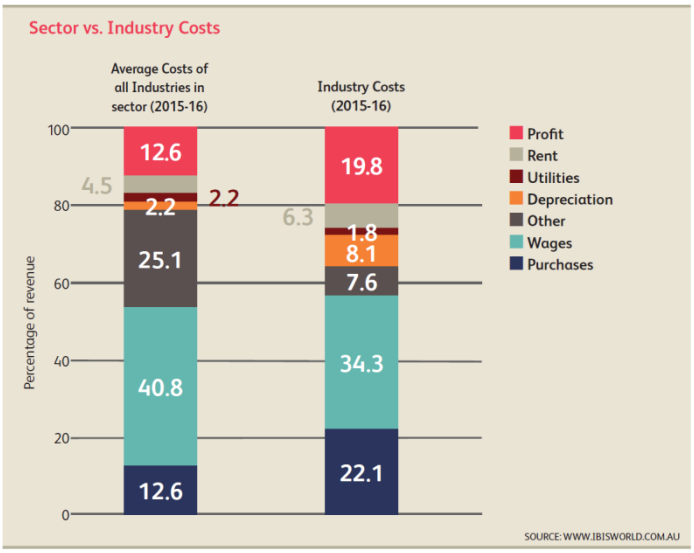
[17] Note that Option 3 proposes a subsidy of 25% for the initial registration fee ($192.00 as opposed to 256.00). This subsidy would apply for graduates, the most frequent users of the initial application fee. Where first time applicants were not recent graduates, the fee would be $376.00.

Across all jurisdictions, the first year cost to gain primary registration ranges from $172 in the Northern Territory through to $690 in South Australia. Apart from the Northern Territory, and a concessional initial registration fee of $250 in Western Australia for new graduates, all three of the Queensland options under consideration are the third lowest in Australia.

For specialists, the first year costs of registration range from $345 in the Northern Territory through to $1,180 in South Australia. Of the three fee proposals for specialists, Option 3 would be the third lowest in Australia and Option 2 would be the third highest.

Another important benchmark is to consider the cost of registration against costs within the veterinary industry. In 2015/16 the total revenue for the Australian veterinary sector was expected to reach $2.6 billion.[18] As Figure 8 illustrates, 19.8% of this is anticipated in profit.[19] With this in mind, the scale of fee increases described under Option 2 and Option 3 are unlikely to fundamentally alter industry expenditure. Moreover, veterinary practices have the capacity to spread additional annual costs over an annual customer base.

Figure 7: Sector vs Industry Costs



Source: IBISWorld – Industry Report M6970

[18] Allday, 2016, *Industry Report M6970: Veterinary Services in Australia*, p. 4.
[19] Ibid, p. 20.

6 Preferred Option

The Board plays an important role in providing registration of veterinarians and veterinary specialists, administering the disciplinary provisions of the Act in respect of professional misconduct by registrants and the performance of prohibited practices by non-registered persons. The effective functioning of the Board is critical to achieving its role in improving the health and welfare of animals. To some extent, the Act contributes to the public interest by providing a regulatory environment to support domestic and international consumer protection.

The RIS provides three options to weigh the public and private benefits of the veterinary registration system. The first option is for continuation of the existing indexed fee regime with significant subsidisation by the Queensland taxpayer and risk of reduced service delivery. The second option is for a flat rate increase to fees of 35% to meet the current cost of providing the service. The third option is a 55% (average) fee increase to enable better service delivery by the Board, while fine tuning some fees applicable to classes of veterinary surgeon.

Under option 1, the status quo is maintained and an additional financial burden is not applied to veterinary practitioners. It does not meet the requirement that all relevant parties that benefit from the provision of registration system should contribute in proportion to benefits gained. Under option 2, veterinary practitioners cover the full cost of a system that they largely benefit from, with some anomalies in relation to the additional burden being carried by specialist practitioners. Option 2 does not make allowance for growing demands being placed on the complaints function of the Board or address an increasingly reactive investigative environment. It creates a risk for the community that government resources will again be required to shore up the Board's finances, and may result in reduced service delivery.

Under option 3, the costs of maintaining the long term effectiveness of the role of the Board is born by the practitioners who benefit from the recognition of their right to practice, the provision of a professional investigations system and availability of an impartial panel of veterinary professionals to address professional conduct concerns, reputation and integrity. Further, it alleviates a portion of the financial burden placed on specialists, to strike a balance between the more complex professional complaints services delivered and the relatively small difference in administrative effort required when compared to non-specialists. It also re-evaluates the benefits realised by retired and government veterinarians, while recognising the public benefits associated with the registration of these individually. Finally, Option 3 acknowledges the importance of reducing barriers to entry to the profession by providing graduate veterinarians a modest subsidy which recognises the limitations on their capacity to contribute to the regulation of the profession.

Option 3 is the preferred option as it offers a more sustainable funding base to support the ongoing operation of the registration and professional standards function, more fairly allocates the costs of the administrative aspects of the registration process, enables proactive education and awareness activities to assist practitioners to comply with requirements and supports improved service standards by the Board.

7 Consistency with other policies and regulation

7.1 Competition principles agreement

The proposed Regulation is generally consistent with Clause 5 of the Competition Principles agreement.

7.2 Fundamental legislative principles

The fundamental legislative principles (FLPs) under the *Legislative Standards Act 1992* have been considered in the policy development for the review, and are consistent with the proposed approach.

7.3 Financial accountability

Section 18 of the Financial and Performance Management Standard 2009 (under the *Financial Accountability Act 2009*) provides that when setting charges for services, the full cost of providing the services must be considered. The proposed fees under Options 2 and 3 reflect the cost to the government of licensing veterinarians and maintaining high standards of integrity for the veterinary profession.

8 Implementation, evaluation and compliance strategy

Changes proposed under Option 2 and Option 3 will require an amendment to the Regulation. It is anticipated that an amendment regulation would be in place by December 2016. As a result, any fee changes would apply for registrations in the 2017 calendar year. The Veterinary Surgeons Board will advise all registered veterinarians of the outcomes of the RIS process. Similarly, all Queensland veterinary colleges will be notified to reach current students.

Proposed investment in management information systems is squarely aimed at increasing efficiencies within the administrative operations of the Board. Development of the new system is being delivered by in-house IT providers. As advised, the new efficiencies will be developed and delivered in a modular approach and improved customer service, increased education, awareness and inspection activities will be rolled out as the benefit of these efficiencies are realised.

The modules proposed under Option 3 will deliver benefits for practitioners, the community and the Board in meeting its regulatory role. Further automation of creating and maintaining records and making service requests will not only reduce the amount of time spent by Board staff but also provide a more efficient mechanism for practitioners to deal with the Board in relation to registration. Members of the community will have the convenience of online access to real time register system. Case management of complaints will become more efficient for Board staff, and data assembly required for the Board in managing its operations will be more comprehensive and timely.

For Board staff in particular, these efficiencies will flow into capacity to take a more pre-emptive approach to compliance by way of increased education, awareness and inspection activities. The value of this cannot be quantified, as the impact is essentially a matter of harms avoided. These harms include reputational harms, animal welfare harms, costs to practitioners defending themselves against avoidable complaints and the personal angst associated with being the subject of an avoidable complaint. Finally, further increases in registration fees for the Board to pursue complaints can be mitigated by education and deterrence activity aimed at reducing the number of complaints lodged in the first instance.

A range of factors have driven costs up. In the most recent financial years, this has included an anomalous increase in legal fees associated with court delays, coupled with one complainant in

particular lodging complaints against multiple vets. New costs associated with paid accommodation, and an investment in 2015/16 to scope information system solutions to address inefficiencies associated with the extent of manual processing, have seen an increase in expenditure in 2015/16.

In the previous five years, variability of legal expense has been buffered by maintenance of a reserve, allowing overspends and underspends to be accommodated. The average end of year balance for the reserve for the last five years is approximately $239 520, even after a single year anomaly in legal fees of $250 000 has taken the reserve into a small negative balance. Average legal expenses over the last three years have averaged around $120 000 and Option 3 seeks to regulate the Board's legal expenditure to this cap. Except for the 2015/16 financial year, due to circumstances beyond its control, the Board has amply demonstrated its ability to contain expenditure to available resources through the use of a reserve.

Monthly reports of financial performance will continue to be prepared by the Department of Agriculture and Fisheries and provided to the Board for consideration at meetings. The chair of the Board is required by legislation to be a representative of the department and this will continue to include representing the department's financial interests.

Fees are reviewed on an annual basis and the regulation would be reviewed within ten years of its commencement.