

CONSULTATION REGULATION IMPACT STATEMENT

Proposal for national licensing for refrigeration and air-conditioning occupations

The Council of Australian Governments' National Licensing Steering Committee has prepared this Consultation Regulation Impact Statement, with assistance from PricewaterhouseCoopers. Its purpose is to seek comment from stakeholders and the wider public on a proposal for national licensing for refrigeration and air-conditioning occupations. Submissions are invited by **21 September 2012**.

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This is the first stage of a two-stage Regulation Impact Statement (RIS) process which includes a Consultation RIS followed by a final Decision RIS.

The purpose of this Consultation RIS is to seek stakeholder views on the costs and benefits of options associated with national occupational licensing reform to assist the Council of Australian Governments (COAG) in its decision making on reform paths and to support the preparation of a Decision RIS in the second half of 2012. Specific questions have been highlighted in the text of the Consultation RIS.

This Consultation RIS is a mechanism to gather stakeholder views on reform paths as well as to provide an indication of our preliminary assessment of costs and benefits. It does not necessarily reflect the views of any particular jurisdiction. Consultants were commissioned by the COAG National Licensing Taskforce to prepare the Consultation RIS, and it incorporates views that have been brought to the attention of the consultants. Extensive information has also been provided by jurisdictions on the costs and benefits of policy approaches and the detail of the licensing arrangements in each jurisdiction.

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About this Consultation Regulation Impact Statement

This Consultation Regulation Impact Statement (RIS) aims to seek stakeholder comment on the policy underpinning the establishment of a national licensing scheme for the refrigeration and air-conditioning occupations. The Consultation RIS also seeks stakeholder views on another proposed option, automatic mutual recognition.

In doing so, it will identify the nature of the problem to be solved, identify alternative policy options and assess the costs and benefits of these options. This Consultation RIS seeks relevant information during the consultation process that will assist the government decision-making processes to identify the best option for a national approach to regulating the refrigeration and air-conditioning occupations.

This Consultation RIS follows the guidelines of the Council of Australian Governments (COAG) in the *Best practice regulation handbook*. It has been approved for release by the Office of Best Practice Regulation and provides a valuable means through which government and other stakeholders can consider policy and regulatory options in a focused way. Stakeholder feedback will inform the content of a Decision RIS on the proposed introduction of national licensing which will be released later in 2012.

It should be noted that a Consultation RIS is required to canvass both regulatory and non-regulatory approaches, and to include a status quo or 'no change' option (recognising that not all problems have a cost-effective solution through government action).

PricewaterhouseCoopers has been engaged by the COAG National Licensing Steering Committee to assist with the preparation of this Consultation RIS.

Opportunities to comment on this Consultation Regulation Impact Statement

The COAG National Licensing Steering Committee is seeking input from stakeholders and the wider public on the proposals outlined in this Consultation RIS. This Consultation RIS is subject to a minimum six-week consultation period, and the steering committee welcomes feedback on the proposed options for implementation and any other aspect of the document. The closing date for submissions to this Consultation RIS is **21 September** 2012. This date may be extended; please check the <u>national licensing website</u> (www.nola.gov.au) for information. Attachment A contains instructions on how to provide a submission.

Summary of options canvassed in this Consultation Regulation Impact Statement

National licensing

The refrigeration and air-conditioning occupations are only licensed in three jurisdictions: New South Wales, Victoria and Queensland. Reform of the licensing of this occupation has the potential to deliver on-going benefits, most of which go to licensees, businesses and consumers in those three jurisdictions. There are one-off costs under some options for reform, including costs to licensees and business to become aware of the proposed changes, and costs to government for the establishment of the National Occupational Licensing Authority and the national licensing register. There would also be on-going costs to maintain the licensing authority and the register. This Consultation Regulation Impact Statement indicates that the benefits of the reform outweigh these costs.

There are two ways in which national licensing could be structured. One option ('national licensing model A') involves licensing proposed at the contractor, (full) licence and provisional licence levels. The other option ('national licensing model B') represents partial regulation with licensing at the contractor level only. Two alternative options are also considered: abolishing licensing altogether ('no licensing (except for the Commonwealth Arctick licence) meaning no licensing at a jurisdictional level or under national licensing) and automatic mutual recognition. Under all options, the Commonwealth Arctick licence would remain a requirement for those working with refrigerants.

The impetus for reform is a desire to enhance labour mobility and remove unnecessary regulatory burdens on licensees. All of the options for reform enhance labour mobility. Given this, understanding the key difference between the options requires consideration of the licensing requirements and competencies, and their impact on costs for industry and users of refrigeration and air-conditioning services.

Table S.1 shows the quantified impacts for no licensing (except for the Commonwealth Arctick licence) and the national licensing options. A decision on which option is preferred depends on the impact on safety outcomes from the removal of licensing in three jurisdictions over and above Arctick licensing requirements. While the quantified impacts suggest that no licensing (except for the Arctick licence) has the highest benefit, the assessment of the impact of all these options on safety outcomes in the relevant three jurisdictions needs to be informed by stakeholder feedback.

Table S.1: Impacts of national licensing

Quantified impacts	National licensing model A	National licensing model B	No licensing (except for the Commonwealth Arctick licence)
Ongoing net impact (\$ million per annum)	5.71	6.49	9.50
Community (licensees, business, households)	5.87	6.64	9.50
Government ^a	(0.15)	(0.15)	-
One-off transition costs (\$ million)	(1.27)	(1.27)	(0.24)
Community (licensees, business, households)	(0.57)	(0.57)	-
Government ^a	(0.70)	(0.70)	(0.24)
Total 10-year NPV (\$ million)	35.93	40.97	61.64
Benefit-cost ratio of the total 10-year NPV	6.01	10.20	271.60
Payback period (years)	0.22	0.20	0.03
Rate of return (annualised percentage)	449%	510%	3,899%
10 year NPV (\$m)	NSW	Vic	Qld
National licensing Model A	0.77	20.40	14.76
National licensing Model B	1.48	22.03	17.46
No national licensing	9.36	27.77	24.52

NPV = net present value

^a The analysis does not account for changes in GST, payroll or other taxes. However, if it is reasonable to expect the community benefits to be consumed as expenditure, then there will be a flow through of GST revenue.

Automatic mutual recognition

An alternative to these options is automatic mutual recognition, which would enhance the ability for some labour to flow where it is most needed, with lower transition costs than envisaged under national licensing. This option is based on licences issued in a particular jurisdiction being accepted in all jurisdictions. A number of approaches are possible: under an unharmonised model, there would be no change to existing licence categories and scopes of regulated work; under a harmonised model, jurisdictions would seek to harmonise licence categories (either according to the policy developed under national licensing or using existing ministerial declarations as a basis). A harmonised approach could also be implemented as a staged process. The overall option has not been fully developed and has therefore not been fully costed. In order to fully quantify and assess the impacts under this option, further guidance from governments on option parameters and available data would be needed. The downside of this option is that the benefits likely to flow from the agreed establishment of the licensing authority are not guaranteed. Furthermore, without on-going coordination and impetus to maintain and build on the initial reforms, there is a risk that automatic mutual recognition may only provide one-off selective reductions in regulatory burdens that may be eroded over time.

Executive summary

Purpose of the Consultation Regulation Impact Statement

This Consultation Regulation Impact Statement (RIS) seeks stakeholder views on the policy underpinning the proposed establishment of a national licensing system for the refrigeration and air-conditioning occupations, and in particular a response to the questions provided.

This Consultation RIS examines the impact of replacing the current diverse state and territory licensing of the refrigeration and air-conditioning occupational area with a proposed national licensing approach. It also examines two alternative options: automatic mutual recognition and no licensing (except for the Commonwealth Arctick licence). It considers the impact that the options outlined below, and discussed further in Chapter 4, would have on industry, consumers and government. The Consultation RIS acknowledges that the status quo would be the default option.

This Consultation RIS builds on previous consultation findings that were supportive of a national licensing system and subsequently endorsed by the Council of Australian Governments (COAG) through the signing of the Intergovernmental Agreement for a National Licensing System for Specified Occupations, passage of the *Occupational Licensing National Law Act 2010* (National Law), establishment of the National Occupational Licensing Authority and appointment of its board. Accordingly, national licensing is considered as the preferred option in the Consultation RIS. The Commonwealth Arctick licence would remain in place under all options. As previous consultations did not provide a cost–benefit analysis of the options (including automatic mutual recognition and no licensing (except for the Commonwealth Arctick licence)), the Consultation RIS seeks stakeholder feedback on the:

- preferred approach in light of fuller information on how both models would work and the potential costs and benefits of each option
- detailed proposal of how national licensing would be implemented, including seeking specific feedback on a number of sub-options on how this can be best achieved.

This executive summary provides a snapshot of the key features, rationale and some costs and benefits for three of the four consultation options:

- Option 1: status quo. Under this option, there would be no changes to existing licensing and mutual recognition arrangements. This option has not been costed.
- Option 2: automatic mutual recognition. Under this option:
 - Mutual recognition arrangements would be enhanced so that licensees would no longer have to apply for a licence in multiple jurisdictions.
 - Each jurisdiction would continue to issue licences against existing jurisdictional categories and associated scopes of work but with these licences (being recognised by all states and territories without the licensee having to reapply for a licence or pay an additional fee.
 Recognition could be restricted to those licences where equivalency has been declared.
 - There is opportunity over time to move towards a 'harmonised set of categories' or for jurisdictions to deregulate areas identified as unnecessary in the Consultation RIS.
 - Further work on the development of this option will be required if this is selected as the recommended option.
- Option 3: national licensing:

- <u>national licensing model A</u>: licensing at contractor, full licence and provisional licence levels
- national licensing model B: partial regulation (licensing at the contractor level only). The
 Commonwealth Arctick licence would be considered as the 'occupational or worker' licence.
- Option 4: no licensing (except for the Commonwealth Arctick licence). Under this option there
 would be no licence either under national licensing or state or territory licensing of the
 occupation. Regulation of the occupation would occur through the Commonwealth Arctick
 licence (which enables the Australian Government to meet its obligations as a signatory to the
 Montreal Protocol 1999 for the phasing out of ozone-depleting gases). Regulation would also
 continue through dangerous goods, occupational health and safety, and health legislation which
 would continue to apply under all options.

A full overview for the national licensing, no licensing (except for the Commonwealth Arctick licence) and automatic mutual recognition options for the refrigeration and air-conditioning occupations can be found in Chapter 3. Chapter 4 contains the impact analysis of national licensing and aspects of the automatic recognition option. Implementation of the preferred national licensing option is discussed in Chapter 5.

A summary of how the proposed national licence arrangements compare with the operation of current jurisdictional licences is outlined in Attachment B.

Stakeholder feedback

Stakeholder feedback is sought on the scope and scale of the proposed changes, on the impact on licensees and businesses, and on the merits of the preferred national licensing model for promoting a seamless national approach to the licensing of the refrigeration and air-conditioning occupations. For details on how to comment on the Consultation RIS, and the closing date for submissions, see 'About this Consultation Regulation Impact Statement'.

Government objectives for reform

COAG has agreed to pursue wide-ranging regulatory reform in order to increase Australia's productivity and provide the environment for a seamless national economy.

As part of these reforms, COAG has agreed to develop a national occupational licensing system (national licensing), for certain occupational areas. National licensing would allow licensees to perform or undertake regulated work anywhere in Australia while holding a national licence. This proposed system would replace current arrangements where each state and territory licenses an occupational area in a different way. National licensing would involve certain occupational and associated business licensing in the following initial occupational areas and would be introduced in two waves:

- first wave: electrical; plumbing and gasfitting; property; refrigeration and air conditioning
- second wave: building and building-related occupations; valuers and conveyancers.

The first-wave occupations are scheduled to commence licensing in 2013, with the second wave occupations anticipated to commence in 2014. National licensing would have the capacity to extend to other licensed occupations over time and provide a platform from which further harmonisation of state-based licensing arrangements, such as the potential harmonisation of conduct requirements, could be considered.

The move to a national licensing system was initially agreed by COAG in the intergovernmental agreement signed in April 2009. Since then, arrangements to implement the national framework legislation (the National Law) have been agreed in most jurisdictions (New South Wales, Victoria,

Queensland, South Australia, Tasmania and the Northern Territory) to establish the national licensing system.

Western Australia will consider its position on the passage of the Bill following the consultation period.

The Australian Capital Territory has reserved its right not to implement national licensing if the costs to the Territory outweigh the benefits.

During the policy development process, it became clear that some amendments to the National Law will be required. The release of the draft Amendment Bill and draft regulations will coincide with the consultation period to allow for public comment to also occur on these.

A copy of National Law can be found on the <u>national licensing website</u> (<u>www.nola.gov.au</u>).

Refrigeration and air-conditioning occupations are important to the economy

The refrigeration and air-conditioning occupations provide a range of services, including the installation and maintenance of split system air-conditioning systems and central heating into domestic residences, and servicing refrigeration systems in commercial buildings and small businesses. The industry derives about one-third of its annual revenue from the maintenance, monitoring and repair services on existing equipment. In 2011–12, the industry generated revenue of \$4.65 billion (down 2.1% from 2010–11), or approximately 0.2% of Australia's GDP. The key factor containing the pace of industry expansion has been the weak cyclical growth in the value of total building construction (0.3% per annum).¹

The industry has approximately 12,700 refrigeration and air-conditioning licensees (in those jurisdictions that licence the occupation) and approximately 29,453 Commonwealth Arctick licence holders (working with ozone depleting refrigerants) across Australia. The industry consists of a fragmented structure with many small-to-medium-scale contractors operating in narrow geographic markets. The four largest enterprises in the industry generate approximately 19% of industry revenue. There is a trend for companies to have the capacity to provide a broad range of temperature control services, including the installation, monitoring and maintenance of air-conditioning, heating, mechanical and electrical equipment. Heating, ventilation and air-conditioning (HVAC) services, particularly in the maintenance, alterations and repairs market, generates about 30% of annual industry revenue and provides a non-cyclical revenue base for contractors.

Fly-in and fly-out work arrangements are a rapidly growing area in the mining and resources sector. While such arrangements can help to address skills shortages, Skills Australia argues that there is a need for options to facilitate greater increases in labour mobility if the resources sector's skills needs are to be met without adverse impacts on the rest of the economy. It should also be acknowledged, however, that labour shortages can also be due to overall skills shortages nation-wide.

Reform can benefit refrigeration and air-conditioning occupations by overcoming current problems

The refrigeration and air-conditioning occupations are currently licensed under both Commonwealth legislation, administered by a specific body on behalf of the Australian Government, and state and territory legislation, administered by jurisdictional regulators. Only three jurisdictions licence the

¹ IBISWorld 2012, Air Conditioning and Heating Services in Australia, Industry Report E4233, April.

² Skills Australia submission to the House of Representatives Standing Committee on Regional Australia Inquiry into the experience of fly-in, fly-out and drive-in, drive-out workers in regional Australia (October 2011), p. 15.

refrigeration and air-conditioning occupations, although the approach to licensing, such as licence categories and eligibility for licensing, varies across these jurisdictions. If refrigeration and air-conditioning licensees wish to work across multiple jurisdictions, they are required to obtain a relevant licence or licenses in each of those jurisdictions through a process of mutual recognition. Under mutual recognition legislation, existing licensees seeking to work in another jurisdiction may apply to be issued a licence with an equivalent scope of work, if the work covered is licensed in the second jurisdiction. A Commonwealth Arctick licence is required for any persons working with fluorocarbon refrigerants, and this will not change under national licensing.

Recent reforms to mutual recognition for the refrigeration and air-conditioning occupations, while beneficial in some respects, have not:

- removed the need for licence holders to apply for a new licence when they wish to work in a different state or territory
- eliminated the cost to licence holders of holding multiple licences. These costs include licence
 fees and costs of licence renewal, as well as costs associated with keeping up to date with
 various skills- and non-skills-based licence requirements. In addition, there are productivity costs
 to businesses due to processing time and administration
- eliminated the time taken for an individual to apply for mutual recognition
- harmonised the eligibility requirements for licences across jurisdiction. For example, similar
 licences may vary considerably in terms of skills, managerial or experience requirements;
 qualifications; nominees; state-based competency testing; or the requirement to work under
 supervision before a full licence can be granted
- stemmed the ability for jurisdictions to change licence categories, scopes of work, qualification or eligibility requirements.

Furthermore, not all licences have an equivalent licence in other jurisdictions, and some occupations (or areas of work within occupations) are not licensed in all jurisdictions. In these cases, individuals who want to work in another jurisdiction may be required to be licensed where they were previously not required to be, or they may need to apply for a new licence because there is no equivalent to the licence that they currently hold. In addition, mutual recognition creates a large number of conditioned or restricted licences as jurisdictions attempt to issue an equivalent licence. In addition, ministerial declarations of equivalency must be updated annually in order to remain current; therefore, maintaining those declarations incurs an administrative cost.

The Productivity Commission reviewed mutual recognition in 2003, and again in 2009. The commission found in both reports that, on the whole, mutual recognition had reduced impediments to labour mobility. In particular, it found that 'mutual recognition appears to be associated with a modest increase in the number of interstate arrivals in registered occupations compared with other occupations.' In both reports, the commission identified some problems with the day-to-day operation of mutual recognition. This included some regulators not applying mutual recognition correctly, and the complications created by conditions and restrictions placed on licensees when they move across jurisdictions. In both reports it made recommendations for improvements.

The Productivity Commission supported the development of nationally uniform licensing requirements and national registration systems for occupations that were highly mobile across jurisdictions, where licence requirements between jurisdictions were significantly different, and where the benefits would justify the costs.

The state- and territory-based approach to the regulation and licensing of the refrigeration and airconditioning occupations means that there are up to nine different approaches to the regulation of

³ Productivity Commission 2003, Evaluation of the mutual recognition schemes: research report, p. 40.

the occupation and three different approaches to the setting of licensing requirements. Analysis of these requirements has found that not all meet best practice regulation standards – that is, they cannot be justified as being a necessary requirement to achieve the regulatory objective for the refrigeration and air-conditioning occupations. There are examples of:

- the scope of regulation being broader than may be necessary for example, the requirement to hold a mechanical services licence to obtain an endorsement for refrigeration and air-conditioning in Victoria
- the level of skills requirements being higher than may be necessary where small business skills
 are required for current licences while not required of non-licensed business owners there is a
 view that it is not the function of occupational regulators to licence business skills
- other requirements that are not consistent with the regulatory objective for example, duplicate testing of qualified applicants that continues to occur in some jurisdictions, and unnecessary conditions imposed on existing licences.

The current approach, therefore, leads to:

- costs to refrigeration and air-conditioning licensees, and associated businesses, in the form of
 financial and time costs associated with maintaining a multiple jurisdiction approach to licensing
 and meeting a range of regulatory requirements (not all of which are necessary)
- reduced efficiency impacts on households and the economy more broadly where the current regulatory approach creates impediments to the mobility of labour and imposes unnecessary regulatory burdens.

These are discussed in turn below.

Administrative burden on licensees

Under current licence requirements, a licence holder must apply for a new licence if they wish to work in more than one state or territory. While mutual recognition arrangements mean that a person is entitled to a licence for the same scope of work in a second jurisdiction, this involves both a time cost, and the payment of additional licence fees. That person must also periodically renew these licences, again involving payment of additional fees. This is the case even when mutual recognition of a licence is granted (i.e. when a regulator determines that the applicant has an equivalent licence). This creates an impost for licensees, particularly if they work in a border area.

Fees charged by jurisdictions vary across licence categories for essentially the same occupational area. While the fees recover some or all costs for regulatory activities undertaken by most of the states and territories, those refrigeration and air-conditioning licensees who are working in multiple jurisdictions pay these costs many times.

Inconsistent and unnecessary requirements

There are a number of examples in the refrigeration and air-conditioning occupations where there are inconsistent regulatory requirements across jurisdictions, and areas of regulation that do not have a strong rationale (given stated regulatory objectives).

There are several different approaches to setting licensing eligibility requirements. Licences issued in different jurisdictions for the same occupational area often have different parameters, eligibility requirements and scopes of regulated work. Different licence classifications, training requirements, licence terms and licence structures commonly apply. These differences can impose not only costs

⁴ The only exception to this arrangement is Queensland, which operates an external licence recognition for electricians and electrical fitters.

on businesses, and on the individual, but can also impact on the livelihood of those individuals, as shown in ES.1.

Box ES.1: Case study of an individual trying to meet different eligibility requirements under mutual recognition

Annotated from original document

Mr A completed his apprenticeship in 1994 in New South Wales, undertook extensive industry experience and obtained a New South Wales contractor licence in refrigeration and air-conditioning. He subsequently moved to Western Australia to work; there, he required only a restricted electrical licence (REL) to undertake refrigeration and air-conditioning work and he let his New South Wales licence lapse. After a year he returned to live in Tweed Heads, New South Wales, and was offered a job with an air-conditioning company in Queensland working as an employee (Queensland only licenses contractors), but there he was required to hold a REL. Mr A's application for an REL was unsuccessful (even though he held an REL in Western Australia) as he did not hold a current air-conditioning licence, a current CPR certificate or a Completion Certificate (provided by a registered training authority on completion of training or apprenticeship).

Mr A applied to New South Wales to renew his lapsed air-conditioning contractor licence, but at the Qualified Supervisor's Certificate level (he didn't need the contracting element as he was going to be an employee). He was informed that it would take 6 to 8 weeks to process his application, even though his licence number was still in the system.

Mr A obtained CPR training and supplied relevant documents with his application for an REL to the Queensland regulator because he needed to start work as soon as possible. His application was rejected by Queensland because it did not recognise his New South Wales apprenticeship (including the theoretical training). The Queensland regulator asked Mr A to provide a Completion Certificate from a Supervised Registered Training Authority, e.g. a TAFE. Without this certificate he would not be issued with a training permit to enable him to get a REL. He was also told he needed a Certificate of Proficiency to certify that he had on-the-job training plus theoretical training. The nearest place to obtain this was Lismore (in New South Wales, a three-hour round trip). Mr A obtained the Certificate of Proficiency and sent it to the Queensland regulator, which took three weeks to process his documentation before a training permit to obtain the REL was issued. He found that he was still unable to work as his employer informed him that he could not be employed without a full REL.

Mr A then approached the Ashmore TAFE in Queensland for a recognition of prior learning process (which cost \$500 and took just over one hour to complete) to obtain a Completion Certificate. This included a theoretical test, a practical test and an interview, all of which he passed. Despite these efforts, Mr A lost his job because of the time it took to obtain the necessary qualifications, i.e. a REL to enable him to work as an employee.

Mr A decided he had no choice but to become self-employed. He had to choose whether to apply to the Queensland Building Services Authority, where he had to enrol in a Queensland TAFE to obtain the relevant business and management skills, or to reapply to New South Wales for a contractor licence, which would take six to eight weeks to process. Mr A chose to apply in New South Wales and has finally received a refrigeration and air-conditioning licence and is now working.

Barriers to the mobility of labour

Labour mobility is defined as the extent to which labour is free to move around the economy in response to opportunities in the marketplace. Labour mobility has important economic benefits. When workers are able to relocate to regions and firms that have prospective employment opportunities, there are benefits to both the individual and the economy more broadly:

Individuals benefit by being able to take advantage of new employment opportunities that will
provide them with financial and/or lifestyle benefits.

• The economy benefits through the efficient allocation of resources where they are most highly valued (and, therefore, where they will provide the greatest return to the economy).

A complex set of factors which can influence the mobility of labour in an economy. Even when there are employment opportunities for workers across the economy, the extent to which these will be filled is influenced by the cost of moving, and the availability of factors like housing and schools in a region.

Mutual recognition is intended to improve labour mobility for licensed occupations by reducing regulatory barriers for individuals to move to a new jurisdiction and work in their chosen profession. As the Productivity Commission concluded in its 2009 review of mutual recognition, this has occurred to some extent, but there remains room for improvement, such as in the equivalence of occupations, registration coverage and the expertise of regulators.⁵

One of the key considerations for this analysis is not the extent to which regulations directly impede the mobility of labour, but how much they decrease the cost of moving. Mutual recognition has worked towards reducing these costs, but, as noted above, costs of multiple licence fees and additional training and conditions still apply for the refrigeration and air-conditioning occupations. In making employment decisions, each individual will have a 'threshold cost' of moving to a new position in another jurisdiction — whether that be a permanent or a temporary move.

Box ES.2 shows how external factors such as the Australian Government's Building the Education Revolution initiative and natural disasters can lead to temporary demand spikes for skilled workers across the country. A quick response to a demand for workers was required during the floods in both Queensland and Victoria. While Queensland operates an external licence recognition system for electrical workers, external licence recognition does not apply for those working in other occupations.

Box ES.2: Case study of Queensland floods that led to demand spikes in refrigeration and air-conditioning work

Since the mid-2000s, the demand for the installation of climate control equipment has been supported by the robust growth in the injection of federal fiscal stimulus towards the refurbishment of primary schools (the Building the Education Revolution program), but was constrained by the recent cyclical collapse of investment in the commercial and industrial building markets. The injection of federal funding of over \$14 billion of federal stimulus spending into the refurbishment of the nation's primary schools stimulated demand for the installation of small split-system air-conditioning units, which has helped offset the weaker conditions in the other building markets. The current cyclical contraction in the housing construction market, coupled with the dramatic slump in air-conditioning installation activity in the primary school refurbishment market, is expected to result in a continued drop in industry revenue of 2.1% in the 2011–12.

Damage from the 2011 floods in Queensland and northern Victoria is likely to be worth \$4.0 billion to \$5.0 billion in housing construction (including new construction, repairs and renovation), and approximately \$1.5 billion to \$2.0 billion in non-residential building construction, evenly split between commercial and industrial buildings (e.g. shops and warehouses) and institutional buildings (e.g. schools and hospitals). While much of this construction value will be absorbed in building materials and labour input, the demand for repair and replacement installation services by the industry on heating, ventilation and air-conditioning equipment will be substantial, contributing approximately \$150 million to \$200 million to industry revenue over the two and half years through 2014. Initially the work in this market will involve checking, repairing and reconnecting equipment, but a large flow of work will come from the installation of replacement units subject to insurance payouts. Flood victims with water-damaged refrigeration or air-conditioning equipment were required to arrange for inspection, repair or disposal by Australian Refrigeration Council-licensed tradespeople.

Source: IBISWorld 2012, Air Conditioning and Heating Services in Australia, Industry Report E4233, April.

⁵ See the Productivity Commission's <u>Review of Mutual Recognition Schemes</u>, pp.59–62.

Approaches to realising potential gains from reform

Background and progress

An Intergovernmental Agreement for a National Licensing System for Specified Occupations was signed in April 2009, which authorised the establishment of a national licensing body that would develop policy and administer the system for a national licensing system. This specifies arrangements for:

- the appointment of a chief executive officer and a national licensing board
- the establishment of occupational licence advisory committees as the principal source of advice on licence policy for the occupational areas
- consultation with stakeholders to ensure that the national licensing board is able to provide authoritative advice to the Ministerial Council
- the establishment of effective working relationships with jurisdictional regulators for each occupational area to promote effective coordination and to assist in the ongoing implementation of national licensing, and associated issues.

The passing of the National Law in 2010 enabled the establishment of the National Occupational Licensing Authority (licensing authority). In March 2012 the National Licensing Board was appointed, with Elizabeth Crouch as Chair. (See Attachment C for full membership). It has been agreed that the licensing authority will be established in Sydney.

While the considerable progress to date in establishing a national licensing system has been predicated on the national licensing option, feedback is also sought on the proposal to not licence the occupation (except for the Commonwealth Arctick licence) or on the automatic mutual recognition option as alternative approaches to licensing reform.

Given that the automatic mutual recognition option (previously known as the driver's licence model) was not costed in the 2009 Decision RIS, it is considered prudent to revisit this model, to determine whether it is a viable alternative. Accordingly, this Consultation RIS presents the advantages and limitations of an driver's licence model, referred to as automatic mutual recognition option (see Box ES.5), for further comment by industry stakeholders, government, consumers and the wider community

This Consultation RIS, therefore, examines three broad approaches.

National licensing

A national licensing system would provide a single policy approach to licence categories, regulated work and the eligibility requirements to obtain refrigeration and air-conditioning licences. This would allow a person to work anywhere in Australia where the relevant work is licensed, without having to reapply for a licence or pay an additional fee. A national public register would be established. There are two ways in which national licensing for refrigeration and air-conditioning occupations could be structured:

- *national licensing model A*. This model proposes licensing at the contractor, full licence and provisional licence levels. This is the model preferred by the Interim Advisory Committee.
- national licensing model B. This model proposes partial regulation of the refrigeration and airconditioning occupations and provides for national licensing at the contractor level only. The Commonwealth Arctick licence would be considered as the 'occupational or worker' licence, as the Arctick licence will remain as a Commonwealth requirement for those working with

fluorocarbon refrigerants in the refrigeration and air-conditioning occupations under national licensing. A provisional licence will not be required under this model.

No licensing (except for the Commonwealth Arctick licence)

This model proposes no licensing (except for the Commonwealth Arctick licence) of the refrigeration and air-conditioning occupations. This means that individuals and businesses in New South Wales, Victoria and Queensland that wish to undertake refrigeration and air-conditioning work would no longer be required to obtain a licence in addition to the Commonwealth Arctick licence (i.e. state-based occupational and contractor licensing would be removed). This reflects the currently regulatory approach in the majority of jurisdictions in Australia.

While no national or state licensing will exist, regulation of the occupation will continue through the requirement to hold a Commonwealth Arctick licence. That requirement remains to ensure that the government meets its international obligations under the 1999 Beijing Amendment to the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer to phase out ozone-depleting gases. In addition, the requirement would remain to hold restricted electrical and plumbing licences, as currently occurs in all jurisdictions. This means that the refrigeration and air-conditioning occupations retain a regulated and skilled workforce.

Automatic mutual recognition (driver's licence model)

Under automatic mutual recognition each jurisdiction would continue to issue licences against existing jurisdictional categories and associated scopes of work but with these licences (being recognised by all states and territories without the licensee having to reapply for a licence or pay an additional fee. Recognition could be restricted to those licences where equivalency has been declared. Licences would either remain inconsistent or there could be agreement to the harmonisation of some or all licences.

Under all options, refrigeration and air-conditioning workers would need to comply with the compliance requirements in the state in which they work, but they would be free to choose where they work with no additional licence required.

The Commonwealth Arctick licensing scheme would continue to apply in all options. The Arctick scheme could be seen as a form of de facto licensing regime in those jurisdictions that choose not to licence this occupation.

Commonwealth Arctick licence

The Commonwealth Arctick licence requires that any person working with ozone depleting refrigerants and undertaking work to install, service or repair an air conditioner, or any other refrigeration and air-conditioning equipment, must be a licensed individual under the relevant Commonwealth regulations. Holders of a refrigerant handling licence are individuals who are qualified in their field of activity and have met the licensing requirements under the Ozone Protection and Synthetic Greenhouse Gas Management Regulations 1995. The qualifications for the Arctick licence are discussed in 3.5.12.1. The following categories of licence are granted to those working with refrigerants:

- full refrigeration and air-conditioning licence
- restricted split system air-conditioning installation and decommissioning (splits) licence
- restricted domestic refrigeration and air-conditioning appliance licence.

Under the regulations, a refrigerant trading authorisation is also required when a business or individual wishes to acquire, possess or dispose of refrigerant. A refrigerant trading authorisation is subject to conditions and auditing processes designed to minimise the risk of emissions while the

refrigerant is in the possession of the business or the individual. There are three types of refrigerant trading authorisations:

- an authorisation for acquiring, storing and/or disposing of refrigerant (other than halon)
- a refrigeration and air-conditioning equipment manufacturing authorisation
- a restricted refrigerant trading authorisation.

Table ES.1 provides a high-level comparison of the options for reform.

Table ES.1: High-level comparison of the characteristics of the options

Refrigesration and air conditioning	Option 1: status quo a As per existing requirements in primary jurisdiction	Option 2: automatic mutual recognition a As per existing requirements in primary jurisdiction	Option 3: National licensing ^a		National licensing ^a n ^a ting nts in		Option 4: No Licensing (except for Commonwealth Arctick licence)
					Steering committee proposal		
Contractor licence	Yes With business unit requirements	Yes With business unit requirements	Yes No skills-based eligibility requirements	Yes No skills-based eligibility requirements A contractor, or their nominee, must hold the relevant Arctick licence to carry out regulated refrigeration and air- conditioning work	No		
Licence	Yes	Yes	Yes	No ^b	No ^b		
Qualifications and licences required for a (full) licence	Certificate III mutual recognition applies	Certificate III	Certificate III One national standardised approach to eligibility	N/A	N/A		
Commonwealth Arctick licence	Yes	Yes	Yes	Yes	Yes		

N/A =not applicable

a Under all options, persons connecting the refrigeration and air-conditioning equipment to an electrical supply are required to hold an electrical licence (as occurs in those jurisdictions that do not currently licence the occupation).

b Under Option 3, model B (partial regulation), the Arctick licence does not authorise licence holders to connect or disconnect equipment from a water supply; a plumbing licence would be required. Pending stakeholder feedback, this may require a restricted or a full plumber's licence.

Proposed areas of deregulation

Jurisdictions have different approaches to the imposition of licence conditions. In considering what conditions might be relevant in a national system, a number of redundant existing conditions have been identified as imposing unnecessary constraints on licensees.

There are also a number of examples of inconsistent regulatory requirements for refrigeration and air-conditioning occupations across jurisdictions, and areas of regulation that do not have a strong rationale for inclusion. The COAG National Licensing Steering Committee identified 6 key areas as imposing unnecessary requirements on licence holders. These are:

- the requirement to hold a mechanical services licence or registration before being given an endorsement for refrigeration and air-conditioning work (currently in Victoria)
- personal probity requirements for worker (occupational) licences
- the requirement to undertake unnecessary additional testing in some jurisdictions
- requirements for business and technical training for contractors in one jurisdiction (Queensland)
- experience requirements
- the removal of ducting and design from the scope of work (Queensland).

The rationale for these proposed six key areas of deregulation is discussed throughout Chapter 3. The section also seeks feedback on further opportunities for deregulation of some licence categories that are not licensed in all jurisdictions.

Further opportunities for deregulation

- the removal of refrigeration and air-conditioning contractor licensing (New South Wales and Queensland)
- the removal of the refrigeration and air-conditioning licence level.

This Consultation RIS seeks stakeholder views on:

- where an activity is broadly licensed or registered, whether the 'lightest touch' approach should be considered
- for general features of licences (such as the licence period), whether the least onerous approach should be considered.

Chapter 3 examines some situations where the refrigeration and air-conditioning occupations are not licensed in all jurisdictions and where there may be opportunities for further deregulation for the occupation.

National licensing – overview of key features

National licensing involves each of the jurisdictions agreeing to a common set of licence categories and eligibility requirements so that there is one system operating throughout the country. The key features of the national licensing option are set out in Box ES.3.

Box ES.3: Key features of national licensing for the refrigeration and air-conditioning occupations

- A licensee would be able to work anywhere in Australia without having to reapply or pay for a licence when moving to another jurisdiction within Australia.
- A central licensing body, the National Occupational Licensing Authority, would be responsible for developing (with Ministerial Council approval) national licence policy for each occupational area and would oversee its consistent application by jurisdictional regulators. National licence policy includes:
 - the licence categories that should apply
 - the regulated work that can be undertaken by the holder of a licence category
 - who can apply for a licence (e.g. individuals, individuals in a partnership, sole traders (unincorporated business) and corporations)
 - skilled and non-skilled eligibility requirements (e.g. qualifications, personal and financial probity)
 - other licence characteristics (e.g. exemptions or exclusions).
- Jurisdictional regulators would administer the system as delegates of the licensing authority.
- A jurisdiction would not be required to introduce licensing where it does not already do so. However, if licensing is introduced in the future, a national licence would be issued.
- Current state and territory licensees would be deemed across to the new system at its commencement on the basis of 'no disadvantage' in terms of the scope of work a licensee would be able to perform.
- Licence fees would continue to be set by jurisdictions and paid only to the licensee's primary jurisdiction.
- A licensee's primary jurisdiction would be determined by place of residence for individual licence holders and place of business for contractor (business) licences.
- Current requirements for mandatory continuing professional development would be removed.
- There would be no requirement for any retesting at licence renewal time. Retesting would apply when a licence has lapsed for a period greater than three years.
- There would be standard qualification and eligibility requirements across all jurisdictions and there would be no experience requirements for obtaining a licence.
- There would be no skills or business qualification requirement for a contractor licence.
- A range of unnecessary licence conditions would be removed.
- Personal and financial probity requirements would be made consistent.
- The process for skilled migrants would be streamlined.
- Licensees choosing to work in an additional jurisdiction would still need to meet any relevant jurisdictionspecific conduct and compliance requirements that apply to work they intend to perform.

Impact on licence categories

Under national licensing (model A) a proposed set of nationally uniform core work areas for the refrigeration and air-conditioning occupations have been developed. The proposed licence categories that would apply to specified regulated work are:

- refrigeration and air-conditioning
- refrigeration and air-conditioning restricted to heat pump and split systems installation
- a provisional refrigeration and air-conditioning licence (issued at the licence level only)

The Commonwealth Arctick licensing scheme would continue to apply regardless of which option is selected.

Licence period

The National Law provides that a licence may be granted for a period of up to five years. The licence period proposed under national licensing for all licence types (contractors and licensees) is a choice between one and three years. This Consultation RIS provides analysis of the proposed licence period. Current licence periods range from one to three years across the jurisdictions that licence refrigeration and air-conditioning work, as shown in Table ES.2. Licensees in states and territories with licence terms of less than three years would gain a direct benefit from being able to choose to obtain a licence for a longer period (unless, or course, they chose a one-year licence period).

Table ES.2: Current licence periods in the jurisdictions that licence refrigeration and airconditioning work

Jurisdiction	NSW	Vic	Qld
Contractor	1 or 3	1 ^a	1
Individual or non-contractor	3	3ª	Not licensed

In Victoria there is no contractor licence for refrigeration and air-conditioning work. Victoria does however make the distinction between a full licence holder and a registered tradesperson. While both of these licence categories allow an individual to contract with the public, for the purposes of presenting information in this section, full licence holders have been grouped with contractors and registered tradespersons have been grouped with workers.

Following consultation with jurisdictions, moving to a standard three- year licence period under national licensing for all licence types (contractor and non-contractor), licensees in states and territories with a shorter licence period (i.e. less than three years) would gain a direct benefit from renewing their licence less frequently.

Licensees in states and territories with a longer licence period (i.e. more than three years) would incur a cost from renewing their licence more often. Similarly, regulators would spend more time in processing these licence applications more often.

Chapter 4 provides an analysis of the proposed three-year period. Given the variation in current licence periods, Chapter 4 also provides a comparison of cost on five year and 10 year periods. Stakeholder feedback is sought to assist with the determination of the best licence period for national licensing. The agreed licence period or periods would apply to the full range of occupations captured under national licensing, not just the refrigeration and air-conditioning occupations.

There will be a five year transitional period to national licensing. During that time, licensees can work in all jurisdictions as they are effectively deemed to have a national licence and will not be required to obtain one ahead of the expiry of their current licence.

Impact on fees

Analysis of the approach to fee-setting by jurisdictions indicates that fee levels may vary depending on a number of factors, including whether:

- fees are set on a cost recovery basis or are subsidised by government
- fees pay for the compliance and inspection regime
- fees pay for other administrative and communications costs
- fees cover contributions towards costs of courts and tribunals for licensing, compliance or consumer-related matters.

The concept of setting a uniform national fee for each national licence was explored. The introduction of uniform fees would alter existing fees in many jurisdictions, and, depending on which of the above factors were included in the determination of a national fee, a uniform fee may affect the ability of some jurisdictions to continue to fund existing activities (without potentially introducing new or increasing state-based fees, charges or penalties).

As a consequence, licence fees will be set in jurisdictional legislation, and it is likely in the short term that they will continue to differ across jurisdictions. It is proposed that licensees will pay their licence fee and renewals according to their primary place of residence or, in the case of an applicant being a body corporate or an individual who is a member of a partnership, the jurisdiction in which the body corporate or partnership's principal place of business is located.

Some jurisdictions are required to recover costs through licence and other fees. Following these reforms, jurisdictions may wish to reconsider how they raise their revenue. Currently, most licence fees cover processing and a range of other compliance activities.

Jurisdictions collectively received facilitation payments of \$100 million in 2008–09 to progress the 27 COAG reforms for a seamless national economy, including national licensing. Reward payments of \$200 million are payable upon achieving milestones in 2011–12 and a further \$250 million in reward payments is available for achieving milestones in 2012–13. It is likely that some of these payments will address costs of implementing national licensing in jurisdictions, thus minimising passed-on costs to business and individuals. There are also ongoing costs to maintain the licensing authority and the national licensing register. How these costs will be covered is a matter for individual jurisdictions to determine and they may, in some cases, be passed on to licensees through increased fees. This Consultation RIS indicates that the benefits of the reform outweigh these costs.

Responsibilities of the national authority and jurisdictional regulators

Under the national licensing option, the licensing authority would have two key roles. One is to be the central driver of future licence policy and reforms, including overseeing the consistent application of policy by jurisdictional regulators (as delegates), reviewing occupational licensing policy over time, and overseeing the introduction of additional occupations. The other is to maintain the national public licence register and its supporting central database. The key benefits associated with the licensing authority are not directly associated with licensing functions per se, (see Figure ES.1), but rather flow from enhanced regulatory oversight and nationally coordinated and streamlined policy development.

Specifically, the licensing authority would have responsibility for the national licensing legislation, but would delegate to the jurisdictional licensing agencies the operation of licensing services, for example, processing of applications and carrying out enforcement and compliance activities. New South Wales, Victoria and Queensland could use existing staff and infrastructure for these licensing functions, but would incur additional IT costs to interface their licensing systems and data with those of the licensing authority. Service agreements between the licensing authority and the jurisdictional licensing agencies would be used to establish consistent service delivery standards across these three states.

Figure ES.1: Responsibilities of the licensing authority and the delegated jurisdictional regulators



No licensing (except for the Commonwealth Arctick licence) – overview of key features

Given that refrigeration and air-conditioning work is only licensed in three jurisdictions, an alternative option considered in this Consultation RIS is to have no national or jurisdictional licensing requirements for refrigeration and air-conditioning work, meaning that neither contractors nor workers would be required to hold a licence to undertake work in the occupation. The Commonwealth Arctick licence would continue to apply for those dealing with fluorocarbon refrigerants ensuring a skilled workforce. It should be noted that there is a public register for those holding the Arctick licence and this would assist in providing transparency for consumers. Current conduct requirements would still apply to those undertaking work in this occupation. The outcome of this option would be national consistency and reduction in the red tape burden of jurisdictional licensing for the occupations.

Automatic mutual recognition – overview of key features

Another option to address the issues of labour mobility and regulatory burden associated with licensees operating across jurisdictions is to allow the occupational licence granted in one jurisdiction to automatically allow the licensee to work across all jurisdictions. This option is similar to the arrangements that apply to a driver's licence, where a licence in one jurisdiction entitles the bearer to drive anywhere in Australia.

The key difference between this approach and national licensing is that licensing variations between New South Wales, Victoria and Queensland – in terms of licence categories and requirements – would not necessarily be harmonised. While these three jurisdictions could agree to change and bring licensing obligations into line, this approach does not require such an outcome. In fact, this is both a benefit (in that state and territory autonomy is maintained, and transition and implementation costs are minimised) and a cost (in that the potential to remove unnecessary obligations and adopt positive national changes is not guaranteed. It is not clear how existing COAG

arrangements would efficiently alleviate confusion and regulatory creep for licence categories that fall outside those that might be considered equivalent). For that reason, this model does not fully achieve harmonisation of licence and conduct requirements. This approach does, however, focus on the intent of the Intergovernmental Agreement for a National Licensing System for Specified Occupations and COAG, at least in part, by promoting greater labour mobility, however the challenges of agreeing and maintaining harmonisation remains.

This option could be enhanced if the three relevant jurisdictions unilaterally agree to harmonise some licensing requirements. The automatic mutual recognition option has yet to be fully considered by the jurisdictions. The different approaches possible under automatic mutual recognition are discussed in more detail at 3.3.

For the purpose of determining the impact of the option, the key features of automatic mutual recognition are set out in Box ES.4:

Box ES.4: Key features of automatic mutual recognition for the refrigeration and air-conditioning occupations

- A licensee would be able to work anywhere in Australia without having to reapply or pay for a licence when they move to another jurisdiction within Australia, where an equivalent licence has been declared.
- Amendments to jurisdictional legislation could create the automatic right to work across jurisdictions in specified licence categories, some of which could be prioritised, for example, where the scope of work is substantially the same and the work is licensed in all jurisdictions.
- Changes to legislation would be required to accommodate business licences as mutual recognition is designed around an individual's occupational licence. Without any changes to mutual recognition, this option would not include any business licensing (including contractor licences).
- If certain categories were accepted as equivalent jurisdictions would need to continue to cooperate on standardising requirements for the remaining classes for inclusion (where practicable).
- Mutual recognition processes would continue for those arrangements that could not be standardised.
- Regulators may need to further develop existing systems or agree on new systems for compliance to ensure that they are able to oversee licence holders from other jurisdictions.
- A limited central register of disciplinary actions would need to be established to enable jurisdictional regulators to be aware of any pending action, disciplinary actions underway
- Licensees choosing to work in an additional jurisdiction would still need to comply with any relevant jurisdiction-specific conduct and compliance requirements that apply to work they intend to perform (as is the case under the status quo and national licensing).
- As licensing functions would remain with existing jurisdictional regulators, there would be no need to establish and fund a national licensing body.

Question: In view of the key features outlined in Boxes ES.3 and ES.4 which is your preferred model for licensing reform:

- i. National licensing
- ii. Automatic Mutual Recognition (AMR)
- iii. Status quo
- iv. Other

Costs and benefits of national licensing and automatic mutual recognition

Some costs and benefits are common to national licensing, no licensing (except for the Commonwealth Arctick licence) and the automatic mutual recognition options, and reflect the fact that all options would reduce costs and unnecessary burdens on refrigeration and air-conditioning licensees who wish to work across state and territory boundaries. At the same time there are key differences that highlight the relative merits of each in regard to short term costs and long term benefits.

The costs and benefits of the approaches are assessed in three distinct categories:

- Transition (or implementation) costs. These are the costs that will be incurred by government
 (mainly relating to the proportional cost to the refrigeration and air-conditioning occupations for
 establishing the licensing authority and the national licensing register) and the cost to
 refrigeration and air-conditioning licensees to spend time reviewing and understanding what the
 proposed changes mean for them.
- Direct costs and benefits. These are the costs and benefits that can be identified as directly
 accruing to an individual, business, and consumer or to government as a result of the
 implementation of the options being assessed. This does not include current costs under the
 status quo that will continue to exist under both options being considered.
- *Impact on consumer outcomes*. This includes potential changes in the quality, quantity or availability of services provided to consumers and changes in safety outcomes.

Not all of these impacts can be easily quantified, for example, the improvements and benefits expected to flow from the establishment of a national licensing register for the refrigeration and airconditioning occupations. In relation to the impacts that have been quantified, some estimates are based on scenarios or hypothetical assumptions so as to provide a guide or point for discussion and feedback from stakeholders – for example, the estimate of the benefit to the economy as a whole flowing from greater labour mobility.

The following section discusses the results of the cost–benefit modelling for national licensing, no licensing (except for the Commonwealth Arctick licence) and the option of automatic recognition. This work will benefit from feedback, including examples of costs and potential benefits of reform as well as comment on the validity and scale of the estimates included.

In estimating the costs and benefits of national licensing, no licensing (except for the Commonwealth Arctick licence) or automatic mutual recognition of licensing, it is important that impacts are matched to the specific costs and benefits. For example, and as discussed above, under all of the options for national licensing, the licensing authority would be the central coordinator of future policy consideration and have responsibility for the maintenance of a national licensing register (consisting of a central database and a national public licensing register). The benefits of these activities flow to consumers and regulators through the use of a register that, for the first time, would consolidate all licensing data and make some of that licensing data accessible to the public.

It is, however, a challenge to quantify the value of potential and yet-to-be-defined future reforms along with the benefits to consumers or regulators associated with aggregated national licensing data and its ability to inform future policy objectives. The costs of establishing the licensing authority are relevant to the proposed changes to licensing and have been included for that reason. In some instances, where net present value estimates are made, these costs have been netted against the benefits of labour mobility and reduced compliance and administrative burden.

The impetus for reform is a desire to enhance labour mobility and remove unnecessary regulatory burdens on refrigeration and air-conditioning licensees. All of the options for reform (national licensing, including partial regulation; no licensing (except for the Commonwealth Arctick licence); or automatic mutual recognition) enhance labour mobility. In addition, there will be benefits associated with:

- an enhanced ability for labour mobility to flow to where refrigeration and air-conditioning occupations are most needed
- reduced administrative and financial costs through the removal of additional fees and applications for those that operate in multiple jurisdictions
- the potential for improved productivity where some licence restrictions are removed.

The proposed changes in improved productivity (the third dot point above) have been discussed and considered by jurisdictions over a number of years. At one level it could be argued that many of the reforms could be made by the relevant jurisdiction. For example, extending the duration of a refrigeration and air-conditioning licence does not necessarily require a national agreement. To the extent that these reforms could be achieved, the same effects as those set out below would be expected although the ongoing coordination and initial transition (or establishment) costs would be avoided. To achieve the proposed national reform set out in this Consultation RIS would continue to require the dedicated effort of all jurisdictions. For the purpose of this analysis, the transition costs have been matched against the benefits to industry and consumers as a necessary ongoing cost for this and future reforms.

National licensing – benefits and costs

Table ES.3 sets out the quantified impacts associated with three of the proposed options, no licensing (except for the Commonwealth Arctick licence) and the two national licensing options (models A and B), as well as an estimate of the potential flow through benefits associated with increased labour mobility⁶ and returns to business.⁷ These impacts are presented in a number of different ways so as to allow readers to consider the difference between establishment and ongoing impacts along with the jurisdictional impacts along with a comparison of these three options. A 10 year NPV is presented, however the reform's effects could theoretically be considered over a longer time period, which would result in a larger net benefit (as the benefits are expected to continue beyond the ten-year time-period provided for in this analysis).

Many of the impacts under national licensing are common across both national licensing models A and B, as they relate to the removal of specific licensing requirements. The main difference between the two national licensing models is the treatment of worker (or 'individual, non-contractor') licensees. While model A would impose a cost on Queensland workers, who would need to obtain a licence where they did not before, model B would generate benefits for workers in New South Wales and Victoria by removing the requirement for them to hold a licence.

The analysis pro-rates for the refrigeration and air-conditioning sector the estimates associated with labour mobility

prepared by the Productivity Commission as part of their 2009 Review of Mutual Recognition Schemes. For this estimate to be valid the specific assumptions made by the Productivity Commission would need to hold - namely that Australia is facing a 10 per cent increase in commodity prices above normal conditions and that these assumptions are also combined with an assumption for this analysis that mutual recognition is only 90 per cent effective in promoting labour mobility. These are strong assumptions and should be treated with caution but and nonetheless included to provide a 'line in the sand' estimate for consultation.

Most of the benefits are estimated for licensees, such as less time spent filling out forms. However, business also benefits. For the purposes of this analysis, and again to provide a starting point for discussion, the business benefit is assumed to be equal to one third of the impacts for licensees.

No licensing (except for the Commonwealth Arctick licence) would generate much higher quantified benefits than national licensing. Under no licensing, benefits from the removal of specific licensing requirements would be still gained, and additional benefits would be generated for all licensees from the removal of the requirement to hold a licence for refrigeration and air-conditioning work.

Table ES.3: Summary of the jurisdictional impacts of no licensing (except for the Commonwealth Arctick licence) and the national licensing

	NSW	VIC	QLD	Total
National licensing Model A				
Ongoing net impact (\$million per annum)	0.20	3.19	2.32	5.71
One-off transition costs (\$million)	(0.55)	(0.38)	(0.34)	(1.27)
Total 10 year NPV (\$m)	0.77	20.40	14.76	35.93
National licensing Model B				
Ongoing net impact (\$million per annum)	0.31	3.44	2.73	6.49
One-off transition costs (\$million)	(0.55)	(0.38)	(0.34)	(1.27)
Total 10 year NPV (\$m)	1.48	22.03	17.46	40.97
No licensing (except for the Commonwealth Arctick	licence)			
Ongoing net impact (\$million per annum)	1.45	4.28	3.78	9.50
One-off transition costs (\$million)	(0.08)	(0.08)	(0.08)	(0.24)
Total 10 year NPV (\$m)	9.36	27.77	24.52	61.64

NPV = net present value

Tables ES.4 and ES.5 provide a further break down of the aggregates above. The intent is to allow readers to see the specific impacts associated with the respective changes being considered – where negative impacts are presented in brackets. For detail on the specific nature of the policy options, please see Chapter 3.

Table ES.4: Ongoing net quantified impacts on an annualised per annum basis under no licensing (except for the Commonwealth Arctick licence) and the national licensing options

\$ million per annum annualised	National licensing model A	National licensing model B	No licensing (except for the Commonwealth Arctick licence)
Total ongoing impact	5.71	6.49	9.50
Removing licensing of workers (model B)	-	0.33	-
Removing licensing (No national licensing)	-	-	3.75
Introducing licensing of workers	(0.42)	-	-
Introducing licensing of business contractors	(0.19)	(0.19)	-
Increasing the number of contractor licensees	(0.13)	(0.13)	-
Removing the need to hold multiple licences	0.08	0.08	-
Removing the need to hold multiple licences - government	(0.07)	(0.07)	-
Consistent licence period (1 or 3 years)	0.72	0.72	-
Decrease qualification requirements	2.71	2.71	2.71
Removing business training	0.94	0.94	0.94
Remove duplicate testing	0.03	0.03	0.03
Removing fit and proper tests	0.004	0.004	0.004
Removing experience requirement	0.23	0.23	0.23
Labour mobility	0.44	0.44	0.44
Business value add	1.27	1.31	1.39
NOLA - operational	(0.08)	(0.08)	-

Table ES.5: One-off transition costs under no licensing (except for the Commonwealth Arctick licence) and the national licensing options

	National licensing model A	National licensing model B	No licensing (except for the Commonwealth Arctick licence)
Transition (\$ million)	(1.27)	(1.27)	(0.24)
Time for licensees to understand reforms	(0.43)	(0.43)	-
Business value add	(0.14)	(0.14)	-
NOLA - set up costs	(0.09)	(0.09)	-
National licence register - jurisdictional implementation	(0.12)	(0.12)	-
Government communications	(0.49)	(0.49)	(0.24)

NOLA = National Occupational Licensing Authority

In addition to the quantified impacts outlined in these tables, there are other impacts that have not been quantified as part of this analysis. These are expected to be minor and a qualitative analysis of these can be found in Chapter 4.

To provide context to the impacts set out in Tables ES.4 and ES.5, the following sets out a high level overview of the impacts for specific sectors and affected cohorts. Consideration of the impact of automatic mutual recognition is provided in the subsequent section.

Impacts on licensees

The reforms would have the following impacts on licensees in New South Wales, Victoria and Queensland:

- Depending on the model proposed under national licensing, some licensees may incur a cost from needing to obtain a licence (contractors in Victoria under both model A and B), and others may gain a benefit from no longer needing to be licensed (workers under model B in New South Wales and Victoria).
- Under both national licensing models (A and B), experience requirements would be removed and refrigeration and air-conditioning mechanics could obtain a licence sooner if they wished to do so, thereby more quickly earning the associated wage.
- The removal of business and additional technical competencies would benefit new licensees in Victoria and Queensland.
- Licensees would benefit from the removal of the need to hold multiple licences and a range of other requirements not deemed necessary.
- Licensees who currently work or in the future may work across more than one of the three
 relevant jurisdictions would benefit due to greater ease of mobility between New South Wales,
 Victoria and Queensland.
- There will be transitional costs for licensees, which relate to the extra time licensees would need
 to dedicate to understanding the proposed changes. While the actual quantum of benefits may
 be different to those estimated, it is clear that the transition costs are small relative to the
 potential ongoing benefits.
- Under no licensing (except for the Commonwealth Arctick licence), all licensees would benefit
 from not having to apply for a licence and the removal of business and additional technical
 competencies.
- Under all options, the requirement to hold the Commonwealth Arctick licence would remain unchanged. That requirement provides a regulated and skilled workforce.

Impacts on business and consumers

Those who employ or use refrigeration and air-conditioning services will benefit from enhanced efficiency in that occupation and the potential for a more efficient flow of labour. There are challenges in estimating these impacts. For example, enhanced labour mobility leads to better allocation of resources – in this case in refrigeration and air-conditioning licensees. How much this benefits licensees, business and the economy more broadly will depend on the extent to which the wages and the cost of refrigeration and air-conditioning services are unnecessarily high (or low) in one jurisdiction due specifically to the limitations of mutual recognition and the current licensing systems in each state or territory.

There may be a range of factors that could lead to such a distortion, including a mining boom, short term construction required following a natural disaster, population or demographic shifts and so on. The challenge for this analysis is quantifying the distortion so as to highlight the potential gain from lowering barriers to mobility. While feedback is sought from business and the community on this issue, for the purposes of the analysis and to highlight the potential gain, this report adopts the Productivity Commission's estimate of the potential gain relating to mutual recognition and prorates

that impact for the refrigeration and air-conditioning services, assuming a level of effectiveness for current mutual recognition arrangements. While this estimate is somewhat crude, it was nuanced with the Commonwealth Treasury and the Office of Best Practice Regulation to provide a guide to the possible gain and to highlight that the expected gain is greater than zero, even if estimating the actual gain requires feedback and further analysis.

There is a second and equally important benefit for business in New South Wales, Victoria and Queensland flowing from the changes. This benefit relates to the expectation that if reforms lead to more efficient refrigeration and air-conditioning services — as would be expected if unnecessary licensing burdens are removed — business too will benefit from the value-add generated by a more efficient labour force. The modelling of the impacts in tables ES.4 and ES.5 focuses on the savings (or costs) to licensees, government and training organisations.

The approach taken in this Consultation RIS is to assume a ratio between the benefits to labour selling refrigeration and air-conditioning services and the benefits to the business or consumers buying those services. The ratio of benefits to wages relative to benefits to profits is determined by using the ratio of labour to capital.

For the purpose of this Consultation RIS, the impacts (benefits and costs) to businesses and consumers who buy refrigeration and air-conditioning services are assumed to be one-third of the direct impact on licensees. Feedback is sought on whether this is an appropriate assumption so that a more informed assumption can be used in the Decision RIS.

Impacts for government

There are a number of expected impacts on government and regulators in New South Wales, Victoria and Queensland associated with the potential reforms.

First, and most prominently, the jurisdictions are contributing their proportional share for the establishment and ongoing costs of the licensing authority and the national licensing register. While the appropriateness of matching these costs with the benefits of removing selected licensing requirements has been discussed above, the jurisdictions have rightly identified additional costs that will be incurred on an ongoing basis, such as to ensure that current IT systems can feed into the database that supports the national licensing register. There is the potential for further offsetting savings at the jurisdictional level, in the area of additional policy development relating to licensing, which could be consolidated into the licensing authority, although the extent to which these gains are realised will depend on a range of factors.

Second, the removal of various licensing requirements, licensing categories or licences will mean that fewer regulatory activities will be undertaken by the regulators in New South Wales, Victoria and Queensland. At the same time, the reduction in licence fees – due to people no longer holding multiple licences – will mean that less money may be available for compliance activities in some jurisdictions. Current jurisdictional fees recover costs for both processing and other activities such as compliance. Regardless of how costs are recovered, and leaving aside the benefits and costs of the licensing authority and the national public licensing register and central database, simply abolishing the need for duplicative licensing should lead to lower government costs and resource needs.

While the analysis costing does not quantify the potential benefits associated with the national public licensing register and its supporting database, there are potential positives that could flow from its use. In particular, the national public register is expected to:

 facilitate the identification of any serious non-compliance by licensees in the three states that license refrigeration and air conditioning – rather than on a state-by-state basis as currently occurs

- help to prevent phoenix companies (companies that fail, and/or become bankrupt and which are subsequently re-established by the same business interests but under another name) emerging across borders following a failure in compliance
- enable consumers in New South Wales, Victoria and Queensland to confirm that any licensee they propose to engage is legitimately licensed, boosting public confidence in the industry and regulatory system.

Automatic mutual recognition

Automatic mutual recognition could achieve some of the same labour mobility benefits as national licensing, as it would enhance the ability for some labour in New South Wales, Victoria and Queensland to flow where refrigeration and air-conditioning occupations are most needed, and would reduce administrative and financial costs in the form of additional fees where licences are held in multiple jurisdictions. Some of the transition costs incurred under national licensing would also be relevant under automatic mutual recognition. For example, licensees in the three states that license the refrigeration and air-conditioning occupations, would need to spend time understanding the new licensing system and government would incur communications costs in informing licensees of the changes.

While national licensing seeks to reduce the number of categories, there is no mechanism or compulsion under automatic mutual recognition to make such changes. Automatic mutual recognition retains individual jurisdictions' licensing frameworks and for that reason involves a lower transition cost to that envisaged under national licensing while retaining or increasing licensing complexity.

There is the potential for this option to capture some of the benefits that have been identified under national licensing. This would require New South Wales, Victoria and Queensland, in particular, to amend their licensing arrangements, conditions and categories, in line with what has been proposed under the national licensing system. There would also need to be a mechanism to ensure consistent review of licensing requirements over time – for example, in regard to changing qualification requirements or adding new licence categories to respond to changing industry and market needs – to ensure that the initial benefits are not eroded.

To the extent that all of the changes proposed under national licensing are reflected in automatic mutual recognition, this option is is a form of national licensing. The downside of automatic mutual recognition is that the benefits that are likely to flow from the agreed establishment of the licensing authority as a central coordinating mechanism are not guaranteed, nor is there any institutional forum in which the jurisdictions can easily coordinate future reforms and changes to licensing, or the harmonisation of conduct requirements and oversight of the refrigeration and air-conditioning occupations. In short, without ongoing coordination and impetus to maintain and build on the initial reforms, there is a risk that automatic mutual recognition may only provide one-off selective reductions in regulatory burdens.

In order to fully quantify and assess the impacts under this option, further guidance from governments on option parameters and available data would be needed.

Table ES.6 shows some of the potential impacts under national licensing that could also occur under automatic mutual recognition. The table shows the maximum possible impacts based on the outcomes under national licensing model A. The actual impact will be dependent on the percentage of licences that are deemed to be equivalent across the three relevant jurisdictions and the extent to which harmonisation of licensing requirements occurs. If this option is supported, further policy development work would need to be undertaken.

Table ES.6: Potential impacts under automatic mutual recognition

Potential impacts	Maximum
Ongoing impacts (\$ million per annum annualised over 10 years)	
Impacts that would occur for those holding equivalent licences	
Labour mobility	Up to 0.44
Removing the need to hold multiple licences	Up to 0.08
Removing the need to hold multiple licences – government	Up to (0.07)
Impacts that would occur for those holding equivalent licences only if all jurisdictions agreed to requirements	harmonise these
Introducing licensing of workers	Up to (0.42)
Introducing licensing of contractors	Up to (0.19)
Consistent licence period (1 or 3 years)	Up to (0.13)
Decreasing qualification requirements	Up to 0.87
Removing business training	Up to 2.71
Removing duplicate testing	Up to 0.94
Removing 'fit and proper' tests	Up to 0.03
Removing experience requirement	Up to 0.004
Business value-add	Up to 0.23
Transition impacts (\$ million)	
Time for licensees to understand reforms	Up to (0.43)
Business value-add	Up to (0.14)
Government communications	Up to (0.49)
Other potential impacts not yet quantified	
Impacts on government compliance costs	Not quantified
Costs and benefits of a register of disciplinary actions	Not quantified
The scope of work for some licences will either be covered by a broader licence category or will become unlicensed	Not quantified
The removal of additional eligibility requirements such as age requirements.	Not quantified

High level comparison of national licensing and automatic mutual recognition

Table ES.7 compares the high level impacts of national licensing and automatic mutual recognition.

 $\label{thm:comparison} \textbf{Table ES.7: Comparison of high level impacts of national licensing and automatic mutual recognition}$

Reform objective	Comparison of options				
	National licensing	Automatic Mutual Recognition			
Facilitate a consistent skill base (Intergovernmental Agreement 4.3)	Yes	No			
Ensure effective coordination exists (Intergovernmental Agreement 4.3)	Yes	No			
Promote national consistency in licensing structures, policy and disciplinary arrangements (Intergovernmental Agreement 4.3)	Yes	No			
Increased labour mobility	Yes	Yes			
Ability to reduce regulatory	Yes	Partial			
burden	National licensing proposes reductions in regulatory burden.	Subject to jurisdictional agreement and/or competitive federalism.			
Cost of regulatory model	Medium Higher regulatory costs in the short term (from	Unquantifiable – expected to be low to medium			
	national authority and national register), with possible flow-on impacts for licence fees	Up-front costs to establish limited national register, but no additional ongoing costs.			
	where jurisdictional regulators are self-funded. All jurisdictions accrue a benefit in the long term.	Any future work on further harmonisation would incur costs.			
Durability of reform	High	Low			
	Jurisdictions would need comprehensive legislative change to exit from national	No mechanisms to ensure durability of AMR arrangements			
	 licensing system. Uniform scopes of work and qualifications would be provided for in national legislation. 	Jurisdictions would need legislative change to remove agreed automatic mutual recognition arrangements.			
	·	Jurisdictions could change specific licensing requirements.			

If the national licensing model is your preferred model:

Question: Which features of the national licensing model do you consider most important?

- i. Increased labour mobility
- ii. Harmonisation of licence categories, scope of work and qualifications
- iii. Establishment of a national licensing authority
- iv. Jurisdictional mobility of businesses that hold a contractor licence
- v. Only paying for a licence category once
- vi. Relative ease to administer (for regulators)
- vii. Ease of understanding (for employers)
- viii. Ease of understanding (for licensees)
 - i. Other (please specify)

Question: What are the featured of automatic mutual recognition that caused you not to support it?

- i. The absence of a national licensing authority
- ii. Non-harmonisation of licence categories, scope of work and qualifications
- iii. Relative complexity to administer (for regulators)
- iv. Other (please specify)

Does the no licensing (except for the Commonwealth Arctick licence) option adequately address the risks associated with work in the refrigeration and air-conditioning occupations?

If automatic mutual recognition is your preferred model:

Question: Which features of automatic mutual recognition do you consider to be the most important?

- i. Increased labour mobility
- ii. Maintaining existing licence categories, scopes of work and qualifications
- iii. Lower establishment costs for Government
- iv. Lower anticipated fees than under national licensing
- v. Only targeting licensees who want to work in multiple jurisdictions
- vi. Only paying for a licence category once
- vii. Ease of understanding (for employers)
- viii. Ease of understanding (for licensees)
- ix. Other (please specify)

Question: What are the features of the national licensing model that caused you not to support it?

- i. Higher anticipated establishment and ongoing costs for Government
- ii. Higher anticipated transition costs for licensees
- iii. Increased licence fees for some jurisdictions
- iv. Increased regulatory requirements for some licence classes
- v. Changes to licence categories, scopes of work and qualifications
- vi. Other (please specify)

Does the no licensing (except for the Commonwealth Arctick licence) option adequately address the risks associated with work in the refrigeration and air-conditioning occupations?

Question: What are the key features or considerations that caused you to support an alternative model (such as no licensing, status quo or other)?

Question: What are the features of the national licensing model that caused you not to support it?

- i. Higher anticipated establishment and ongoing costs for Government
- ii. Higher anticipated transition costs for licensees
- iii. Increased licence fees for some jurisdictions
- iv. Increased regulatory requirements for some licence classes
- v. Changes to licence categories, scopes of work and qualifications
- vi. Other (please specify)

Question: What are the features of automatic mutual recognition that caused you not to support it?

- i. The absence of a national licensing authority
- ii. Non-harmonisation of licence categories, scope of work and qualifications
- iii. Relative complexity to administer (for regulators)
- iv. Other (please specify)

Question: Does the no licensing (except for the Commonwealth Arctick licence) option adequately address the risks associated with work in the refrigeration and air-conditioning occupations?

Stakeholder feedback

The quantitative analysis is provided to guide stakeholders as to the nature of the potential impacts and to give estimates of possible flowthrough benefits and costs.

A number of assumptions have had to be made to quantify the benefits of national licensing and automatic mutual recognition. This analysis will be improved by a more detailed consideration of these costing results, and through the consideration of specific case studies and feedback from stakeholders on how the current and prospective licensing of the refrigeration and air-conditioning occupations impacts on business and consumers.

Specific questions on aspects of the proposals are included in this Consultation RIS. Details of how to provide a submission is included in Attachment A. However, stakeholder feedback is also sought in general terms on the merits of and preference for national licensing or automatic mutual recognition.

In providing feedback, stakeholders are invited to consider:

- the expected costs and benefits from an industry, licensee and community perspective
- the most appropriate administrative arrangement for coordinating future reform of the refrigeration and air-conditioning occupational licensing regime
- the scope, scale and durability of the proposed changes
- The assumptions used in the cost–benefit analysis and whether there are views on more appropriate assumptions and inputs.

Questions

Question		Page reference			
Preferred Model					
	In view of the key features outlined in the Boxes ES.3 and ES.4 in the RIS, which is your preferred model for licensing reform:				
i.	National licensing				
ii.	Automatic Mutual Recognition (AMR)				
iii.	Status quo				
iv.	Other				
National Licens	ing				
Which features	of the national licensing model do you consider most important?	xxxiii			
i.	Increased labour mobility				
ii.	Harmonisation of licence categories, scope of work and qualifications				
iii.	Establishment of a national licensing authority				
iv.	Jurisdictional mobility of businesses that hold a contractor licence				
v.	Only paying for a licence category once				
vi.	Relative ease to administer (for regulators)				
vii.	Ease of understanding (for employers)				
viii.	Ease of understanding (for licensees)				
ix.	Other (please specify)				
What are the fe support it?	eatured of Automatic Mutual Recognition that caused you not to	xxxiii			
i.	The absence of a national licensing authority				
ii.	Non-harmonisation of licence categories, scope of work and qualifications				
iii.	Relative complexity to administer (for regulators)				
iv.	Other (please specify)				
	ensing (except for the Commonwealth Arctick licence) option lress the risks associated with work in the refrigeration and air-	xxxiii			

Question Page reference					
conditioning occupations?					
Automatic Mu	tual Recognition				
Which features important?	s of automatic mutual recognition do you consider to be the most	xxxiv			
i.	Increased labour mobility				
ii.	Maintaining existing licence categories, scopes of work and qualifications				
iii.	Lower establishment costs for Government				
iv.	Lower anticipated fees than under national licensing				
v.	Only targeting licensees who want to work in multiple jurisdictions				
vi.	Only paying for a licence category once				
vii.	Ease of understanding (for employers)				
viii.	Ease of understanding (for licensees)				
ix.	Other (please specify)				
What are the fit?	eatures of the national licensing model that caused you not to support	xxxiv			
i. H	igher anticipated establishment and ongoing costs for Government				
ii. H	igher anticipated transition costs for licensees				
iii. In	ncreased licence fees for some jurisdictions				
iv. In	creased regulatory requirements for some licence classes				
v. Changes to licence categories, scopes of work and qualifications					
vi. Other (please specify)					
	ensing (except for the Commonwealth Arctick licence) option dress the risks associated with work in the refrigeration and airccupations?	xxxiv			
No licensing, s	tatus quo or other				
What are the key features or considerations that caused you to support an alternative model (such as no licensing, status quo or other)?					
What are the fit?	eatures of the national licensing model that caused you not to support	xxxv			

Question	Page reference
i. Higher anticipated establishment and ongoing costs for Government	
ii. Higher anticipated transition costs for licensees	
iii. Increased licence fees for some jurisdictions	
iv. Increased regulatory requirements for some licence classes	
v. Changes to licence categories, scopes of work and qualifications	
vi. Other (please specify)	
What are the features of Automatic Mutual Recognition that caused you not to support it?	XXXV
i. The absence of a national licensing authority	
ii. Non-harmonisation of licence categories, scope of work and qualifications	
iii. Relative complexity to administer (for regulators)	
iv. Other (please specify)	
Does the no licensing (except for the Commonwealth Arctick licence) option adequately address the risks associated with work in the refrigeration and airconditioning occupations?	xxxv And 22
Preferred option of national licensing	
 i. Model A – national licensing at the contractor, full licence and provisional licence levels (in addition to the Commonwealth Arctick licence) ii. Model B – national licensing at the contractor level only (in addition to the Commonwealth Arctick licence) 	24
What are the key features or considerations that caused you to support Model B	25
What are the key features or considerations that caused you not to support Model A	25
What are the key features or considerations that caused you to support Model A	25
What are the key features or considerations that caused you not to support Model B	25

Question		Page reference			
Licence Categories and Scopes of Work – Model A					
	re that national licensing (model A) should include the following licence in addition to the Commonwealth Arctick licence)?	26			
i.	Refrigeration and air-conditioning licence				
ii.	Restricted refrigeration and air-conditioning (heat pump and split system installation) licence				
iii.	Refrigeration and air-conditioning contractor's licence				
iv.	Restricted refrigeration and air-conditioning (heat pump and split system installation) contractor's licence				
v.	Provisional refrigeration and air-conditioning licence				
Are there ar	ny additional licence categories that should be considered?	26			
	el A. A licence will be required for work in relation to systems that used a substance' as a refrigerant.	36			
	e that each of the following refrigerants should be included as a substance under national licensing?				
i.	Ammonia				
ii.	Carbon dioxide				
iii.	Chlorofluorocarbon				
iv.	Halon				
v.	Hydrochlorofluorocarbon				
vi.	Hydrofluorocarbon				
vii.	Perfluorocarbon				
viii.	Water used in an evaporative cooling system				
Under the national licensing proposals, no endorsements are currently proposed for the refrigeration and air-conditioning licence categories.					
	rther to the previous question, do you consider that refrigeration and airg work should:				
i.	Be a prescribed substance for the national refrigeration and air- conditioning licence				
ii.	Require an endorsement on the national refrigeration and air- conditioning licence				
iii.	Not require a licence				
iv.	None of the above				
	osed scopes of regulated work correspond to the actual work of licensees ne proposed licence categories?	29			
i.	Refrigeration and air-conditioning licence				
ii.	Restricted refrigeration and air-conditioning (heat pump and split				

Question	Page reference					
system installation) licence						
iii. Refrigeration and air-conditioning contractor's licence						
iv. Restricted refrigeration and air-conditioning (heat pump and split system installation) contractor's licence						
v. Provisional refrigeration and air-conditioning licence						
Licence Categories and Scopes of Work – Models A and B						
Do you agree the requirements proposed under national licensing for the holder of a contractor (business) licence to appoint a nominee are appropriate?	37					
Do you agree the exemption regime proposed under national licensing is appropriate?	39					
Personal and Financial probity						
Do you agree the personal probity; including 'relevant person' requirements proposed under national licensing adequately address issues of consumer risk?	41					
Do you agree the nature of refrigeration and air-conditioning work does not warrant additional safeguards for considering serious criminal offences for personal probity requirements (as are currently in place in some jurisdictions)?	41					
Do the proposed financial probity requirements proposed under national licensing adequately address consumer risk	42					
Eligibility and Qualifications						
Are the proposed entry level qualifications outlined in the RIS sufficient and appropriate for the proposed refrigeration and air-conditioning licence categories, scopes of regulated work and consumer protection outcomes?	46					
Under national licensing (Models A and B), it is proposed that no skill based eligibility requirements will be applied to contractors, other than appointing a nominee who holds the relevant licence. Do you agree with this proposal?	47					
<u>Transition Costs</u>						
The Regulation Impact Statement assumes that it will take 45 minutes for licence holders to understand any new obligations, changes to licence requirements or scopes of work under national licensing. Do you agree with this assumption?	52					
Beyond the time and transition costs incurred by licensees, businesses and households, and the one-off establishment costs incurred by governments, are there any other transition costs that should be considered in moving to national licensing?						
Testing the Assumptions						
Are there any other forms of testing currently required by state and territory governments that should be included in the calculations?	61					

Question	Page reference
<u>Licence Terms</u>	
What should the non-contractor licence term be under national licensing?	76
What should the contractor licence term be under national licensing?	76
<u>Transitional Arrangements</u>	
In transitioning to national licensing, some qualifications that currently qualify applicants for a jurisdictional licence will not qualify an applicant for the equivalent national licence.	117
Do you agree that these qualifications, if started before the commencement of national licensing, should be deemed to satisfy the skills based eligibility requirements for the equivalent national licence (as is proposed under national licensing)?	
Further to the previous questions, it is proposed that an individual who completes such a qualification immediately before the commencement of national licensing will have three years to apply for a national licence. After this three year period, measured from the commencement of national licensing, these 'superseded' qualifications will no longer be deemed to satisfy the skills based eligibility requirements for a national licence.	117
Do you agree with this proposal?	
If your licence lapsed before the commencement of national licensing (meaning you would not have transitioned to a national licence), the proposed grace period for applying for an equivalent national licence will be the same as the current restoration arrangements in the jurisdiction that issued your licence (if any).	118
Do you agree with this proposal?	
Note: After the commencement of national licensing, the proposed grace period to restore a lapsed licence is three months. A licensee can only restore their licence if the restoration period has not expired.	
Certain restricted licence categories will be discontinued under national licensing. Do you agree that a grace period of 12 months should be provided in which an individual that qualified for a discontinued licence will be deemed eligible for an equivalent national licence (with limitations on the scope of work)?	118
Note: The grace period will be measured from completion of the outdated restricted licence qualification. The qualification must have been commenced before the start of national licensing.	
Are there any other issues that should be considered in developing a national licensing system?	N/A

1 General policy context

The Council of Australian Governments (COAG) in July 2008 agreed to wide-ranging regulatory reform to increase Australia's productivity and provide the environment for a seamless national economy. National licensing is one of 27 key areas for reform being overseen by the Business, Regulation and Competition Working Group, which is composed of senior state and territory officials and is co-chaired by two Commonwealth ministers.

Many of the challenges facing the Australian economy can only be addressed through more effective and coordinated regulatory arrangements. By moving towards a seamless national economy through the reform of business and other regulation, the COAG reforms aim to provide a more streamlined, consistent and targeted regulatory environment, reduce inefficiencies and duplication, remove red tape and facilitate flexible and productive operating conditions for businesses and workers across Australia. These reforms have the potential to make life simpler for businesses and consumers, while continuing to provide the necessary protections and access for workers, consumers and the community.

COAG therefore agreed to develop a national licensing system with the following characteristics:

- cooperative national legislation
- national governance arrangements to manage standard setting and policy issues and to ensure consistent administration and compliance practices
- all current holders of state and territory licences being deemed across to the new licence system at its commencement
- the establishment of a publicly available limited national register of licensees and
- no legislative role for the Commonwealth in the establishment of the new system.

National licensing would initially be applied to four occupational areas, which were chosen based on the following selection criteria:

- at least one critical area of the occupation is licensed across all jurisdictions
- all have been subject to the work on achieving full and effective mutual recognition
- the importance of the occupation to the economy in terms of level of demand, intrinsic mobility and number of licensees
- the volume and nature of mutual recognition difficulties.

The four occupational areas are:

- refrigeration and air conditioning
- electrical
- plumbing and gasfitting
- property occupations.

National licensing is a threshold reform; that is, it sets in place national licensing eligibility requirements and the related disciplinary framework as the first step in developing a comprehensive national licensing scheme that could, once fully developed, encompass the requirements for both obtaining a licence and the behaviour and standards (conduct) required to maintain a licence.

The behaviours and standards (conduct) to be met by licensees are not currently part of the proposed national occupational licensing reform. A separate reform to potentially harmonise

conduct requirements, commencing with property occupations, is being undertaken by the Legislative and Governance Forum on Consumer Affairs (formerly the Ministerial Council for Consumer Affairs). The full benefits of a proposed national licensing system would be realised if this further reform were undertaken.

1.1 The Occupational Licensing National Law Act (2010)

The Occupational Licensing National Law Act (2010) (National Law) has been enacted in six jurisdictions (New South Wales, Victoria, Queensland, South Australia, Tasmania and the Northern Territory). This Act is national framework legislation that seeks to establish national licensing.

The Bill for the National law passed Western Australia's Legislative Assembly on 24 November 2010 and was referred to the Western Australian Standing Committee on Uniform Legislation and Statutes Review. The committee did not support the Bill in its current form, and Western Australia will consider its position on the Bill after the consultation period on the Amendment Bill, national regulations and regulation impact statements.

The Australian Capital Territory has reserved its right not to implement national licensing if the costs to the Territory outweigh the benefits.

The National Law provides the high-level framework for the national licensing policy and regulations. A copy of the National Law can be found on the national licensing website.

During the policy development process, it became clear that some amendments to the National Law will be required. The release of the draft Amendment Bill and draft regulations will coincide with the consultation period to allow for public comment to also occur on these.

1.2 Policy development process

Under the Intergovernmental Agreement for a National Licensing System for Specified Occupations signed by states and territories in April 2009 the COAG National Licensing Steering Committee was given responsibility to oversee the implementation of national licensing in the interim period before the establishment of the National Occupational Licensing Authority. The steering committee reports on progress to the Business, Regulation and Competition Working Group and, through the Commonwealth Treasury, to the Standing Council on Federal Financial Relations. Membership of the steering committee comprises central agency representatives from each jurisdiction.

In considering policy issues, the steering committee and its advisory committees are bound by the objectives and principles in the intergovernmental agreement, including a requirement to comply with COAG's principles of best practice regulation. These principles include a requirement to establish a case for action; to consider and cost a range of response options, including non-regulatory approaches; and to ensure that the response option selected provides the greatest net benefit to the community as a whole. Key stakeholders must be consulted and government action must be 'effective and proportional' to the issue being addressed.

The steering committee's primary source of advice for current occupational regulations has been the Interim Advisory Committees established for each of the occupational areas, each of which has an associated Regulator Working Group.

Members of the interim advisory committees comprise a balance of expertise relevant to an occupational area across the fields of regulation, industry operations and practices (from both a union and employee perspective), safety, consumer advocacy, insurance (where relevant) and training. The regulator working groups comprise regulator members from each relevant jurisdiction. Membership lists are in Attachment C.

The Refrigeration and air-conditioning Interim Advisory Committee developed policy advice over a period of 18 months. The majority of advice provided by the interim advisory committees has been incorporated into the steering committee policy advice for the drafting of the national licensing Amendment Bill and regulations and is considered in the Consultation RIS for the refrigeration and air-conditioning occupations. There are, however, instances where, after having regard to the objectives and principles set out in the intergovernmental agreement, the steering committee formed a different view to that of the interim advisory committees. Such instances are discussed in Chapter 3.

Government representatives from all jurisdictions provided policy advice and are contributing to the drafting instructions for the Amendment Bill and regulations, including representatives from Western Australia and the Australian Capital Territory, which have not yet enacted the National Law. Accordingly, the impact analysis and cost—benefit calculations take into account the current regulatory arrangements in all jurisdictions.

It should be noted that the policy development for mechanical services plumbing was initially undertaken by the Refrigeration and Air-conditioning Interim Advisory Committee due to some overlaps with that occupational area. Close communications with the Plumbing and Gasfitting Interim Advisory Committee concerning relevant policy discussions on mechanical services plumbing were maintained. The steering committee, in March 2011, made the decision that mechanical services should sit with the plumbing and gasfitting occupational area. Information regarding the proposed policy for mechanical services plumbing can therefore be found in the Plumbing and Gasfitting Consultation RIS.

2 Current regulatory approach

The refrigeration and air-conditioning occupations are currently licensed under both Commonwealth legislation, administered by a specific body on behalf of the Australian government, and state and territory legislation, administered by jurisdictional regulators.

At the Australian Government level, the Ozone Protection and Synthetic Greenhouse Gas Management Regulations 1995, under which the Commonwealth meets its obligations under the Montreal Protocol and the United Nations Framework Convention on Climate Change, regulate those handling fluorocarbon refrigerants. Regulation is undertaken through the Department of Sustainability, Environment, Water, Population and Communities, and the licence (called the Arctick licence) is administered by the Australian Refrigeration Council Ltd. It is a requirement in all jurisdictions that any person undertaking any work that involves the handling of fluorocarbon refrigerants must hold an Arctick licence. This Commonwealth requirement will continue, in parallel, with the proposed national licensing scheme. An overview of the sector and summary of regulatory requirements is provided in Attachment D

There was discussion during the policy development process on whether it was possible for the licensing of refrigeration and air conditioning occupation (as proposed under national licensing) and the Commonwealth Arctick licence to be combined under one licence or, at the very least, be administered by one regulator. It was decided by the interim advisory committee that whereas the licensing of the Arctick scheme was a Commonwealth legislative commitment, the licensing of the refrigeration and air-conditioning occupations under the proposed national licensing was not introduced under Commonwealth legislation and therefore could not be combined under licence. Although it was agreed that there was some duplication in licensing, it was decided that communications between the licensing authority and the Australian Refrigeration Council Ltd on matters concerning the refrigeration and air-conditioning occupations should be considered following the introduction of national licensing.

2.1 Summary of jurisdictional approaches

At a jurisdictional level, three jurisdictions license the refrigeration and air-conditioning occupations. Both New South Wales and Victoria issue licences through a single regulatory body, whereas Queensland licenses refrigeration and air-conditioning and related work (a gas work licence for hydrocarbon refrigerants) through two separate regulatory agencies.

2.1.1 New South Wales

- New South Wales issues air-conditioning and/or refrigeration licences at both the contractor and qualified supervisor certificate levels.
- Refrigeration and air-conditioning may be licensed as separate categories, i.e. as refrigeration work and as air-conditioning work.
- If there is associated electrical work undertaken in conjunction with the refrigeration and airconditioning work, extra training is required to be undertaken (MEM18049B and MEM18046B (for equipment up to 1000 volts a.c./1500 volts d.c.)).
- Contractors can possess both the technical skills and the ability to contract, and require a
 qualified supervisor if they do not have the technical skills.

2.1.2 Victoria

Victoria regulates refrigerated air-conditioning as a specialised plumbing class, and this is issued as an 'endorsement' at the registration and licence levels.

- To be issued with the specialised plumbing class endorsement, an individual is required to hold a
 registration or licence in the relevant main class of plumbing, that is, mechanical services
 plumbing.
- Eligibility requires the holding of relevant qualifications for both refrigeration and airconditioning and mechanical services plumbing.
- To obtain an endorsement in refrigeration and air-conditioning, it is also a requirement to hold a restricted electrical licence.
- An individual must have a minimum of two or four years' relevant practical experience at both registration and licence levels
- A contractor's licence is not issued in this jurisdiction.

2.1.3 Queensland

- Queensland licenses refrigeration and air-conditioning work through the Queensland Building Services Authority (regulated as part of the building occupations).
- The occupation is licensed at a trade contractor level only, as one broad licence category covering both refrigeration and air-conditioning.
- Trade contractors must possess both the technical skills and the ability to contract, and require a nominee if they do not have the technical skills.
- It is a requirement to hold an occupational gas work licence (hydrocarbons refrigerant) for any person working with hydrocarbon refrigerants. The prerequisites required to obtain this licence include holding the Commonwealth Arctick licence and a Certificate III Refrigeration Mechanic qualification, equivalent air-conditioning certificate or qualification approved by the chief inspector plus formal competency training from a registered training authority, which includes up to an additional three units relating specifically to hydrocarbons.
- A restricted electrical licence is required for disconnect and reconnect refrigeration and airconditioning equipment if the licensee who is undertaking installation and repairs is working with equipment that is hard wired.

2.2 Summary of other jurisdictional approaches

2.2.1 South Australia

- Regulation of refrigeration and air conditioning occurs through the building occupations, where
 the primary focus of licensing surrounds the structural integrity of the installation of a
 refrigeration and air-conditioning unit in a building (that is the mounting of the unit and
 strengthening of trusses where required).
- South Australia does not license the proposed regulated refrigeration and air-conditioning work
 as the current South Australian definition does not include the regulation of refrigerants. An
 Arctick licence is required in South Australia when working with refrigerants (regulated by the
 Commonwealth).
- A restricted electrical licence is required for any electrical work in relation to fault finding and the electrical connection of the refrigeration and air-conditioning unit to the power supply.

2.2.2 Western Australia

- Western Australia does not license refrigeration and air-conditioning work.
- It is a requirement for refrigeration and air-conditioning workers to hold a restricted electrical licence to disconnect and reconnect refrigeration and air-conditioning equipment if they are undertaking installation and repairs and working with equipment that is hard wired.

2.2.3 Tasmania

- Tasmania does not license refrigeration and air-conditioning work; however, it does license mechanical services plumbing and is concerned primarily with the plumbing aspect of the work.
- It is a requirement for refrigeration and air-conditioning workers to hold a restricted electrical licence to disconnect and reconnect refrigeration and air-conditioning equipment if they are undertaking installation and repairs and working with equipment that is hard wired.

2.2.4 Australian Capital Territory

- The Australian Capital Territory does not license refrigeration and air-conditioning work.
- It is a requirement for refrigeration and air-conditioning workers to hold a restricted electrical licence to disconnect and reconnect refrigeration and air-conditioning equipment if they are undertaking installation and repairs and working with equipment that is hard wired.

2.2.5 Northern Territory

- The Northern Territory does not license refrigeration and air-conditioning work.
- It is a requirement for refrigeration and air-conditioning workers to hold a restricted electrical licence to disconnect and reconnect refrigeration and air-conditioning equipment if they are undertaking installation and repairs and working with equipment that is hard wired.

2.2.6 Commonwealth

An Arctick licence is required across all jurisdictions when undertaking refrigeration and air-conditioning work involving ozone-depleting refrigerants. Currently there are approximately 29,453 licensees who hold the Commonwealth Arctick licence. This total is made up of refrigeration and air-conditioning, split system and domestic components within the industry sector.

Table 2.1 outlines the current refrigeration and air-conditioning licensing arrangements across Australia.

Table 2.1: Current refrigeration and air-conditioning licensing arrangements by jurisdiction (shading denotes licensing)

Licence Category	NSW	Vic	Qld	SA	WA	Tas	ACT	NT	Cwlth
Air-conditioning	✓	c √	d✓						
Refrigeration	✓	c√	d√						
Mechanical Services plumbing		a√	d			b√			
handling fluorocarbon refrigerants	f	f	f	f	f	f	f	f	e✓
Handling hydrocarbon/natural refrigerants	h	h	g√	h	h	h	h	h	h
Ducting			✓						

Note: Shading (\checkmark) = denotes regulated work. Gold = licensed; white = not licensed.

Note: Licensing of ancillary activities – for example, plumbing, electrical and building occupations – is not included in the table.

- a Mechanical services plumbing (includes work on split systems).
- b Mechanical services plumbing.
- c Endorsement for refrigerated air-conditioning work (must hold a mechanical services licence as part of the eligibility to obtain the endorsement).
- d Regulated by the Queensland Building Services Authority as trade contractor licences. Note that mechanical services is licensed as part of a broader refrigeration, air-conditioning and mechanical services licence.
- e Regulated by the Commonwealth (refrigerant handling (Arctick) licence scheme that extends beyond refrigeration and airconditioning equipment in buildings; for example, includes motor vehicle, vessels, etc.).
- f Requirement to hold Arctick licence when undertaking refrigeration and air-conditioning work involving refrigerants.
- g Regulated by the Queensland Department of Natural Resources and Mines as a gas work licence for hydrocarbon refrigerants only.
- h Regulated under other jurisdictional legislation such as gas, dangerous goods, environmental or occupational health and safety legislation.

2.2.6.1 Commonwealth Arctick licence

The Commonwealth Arctick licence requires that any person undertaking work to install, service or repair an air conditioner, or any other refrigeration and air-conditioning equipment, must be a licensed individual under the Ozone Protection and Synthetic Greenhouse Gas Management Regulations 1995 (Cwlth) (the Regulations). Holders of a refrigerant handling licence are individuals who are qualified in their field of activity and have met the licensing requirements under those regulations. The qualifications for the Arctick licence are discussed in section 3.5.12.1

2.3 Mutual recognition

Currently, occupational licence, registration or accreditation holders are able to work across jurisdictions under the Mutual Recognition Agreement 1992, to which all states, the Australian Capital Territory and the Northern Territory are signatories. Under the *Mutual Recognition Act 1992*, occupational licence holders from one jurisdiction can apply to be registered in another jurisdiction on the basis of their existing licence and without any further assessment of their skills. However, licence holders must still approach the regulator in each jurisdiction they wish to work in, prove they are licensed in their primary jurisdiction, and pay an additional fee to receive an equivalent licence in

the second jurisdiction.⁸ This process imposes financial costs and time delays, and may impede the provision of short-term interstate service. Mutual recognition does not apply to corporations, partnerships or similar entities.

Ministerial declarations, made under section 32 of the *Mutual Recognition Act 1992*, contain matrices describing occupational licence equivalents across all jurisdictions. These declarations include the four occupations in the first stage of the proposed national licensing reform (electrical, plumbing and gasfitting, property, and refrigeration and air conditioning). Ministerial declarations have also been made for other licensed occupations, including builders and building-related occupations, conveyancers, valuers, driving instructors; pilot and escort vehicle drivers; maritime occupations; pest and weed controllers; gaming occupations; and pyrotechnicians.

An excerpt from the refrigeration and air-conditioning mutual recognition matrix (as published in the Commonwealth of Australia *Gazette 2007*) is in Table 2.2. The table sets out the licence equivalence mapping of a Victorian Mechanical Services licence to licences in other jurisdictions. The codes contained in the cells are restrictions applied to grant equivalence; an explanation of these can be found below the table. This example illustrates the complexity involved in preparing and maintaining mutual recognition matrices. The full suite of the ministerial declaration matrices can be accessed on the Australian Government's Licence Recognition website. The <u>Licence Recognition website</u> also allows a licensee to search for the equivalent licence in another jurisdiction.

Table 2.2: Licence equivalence mapping of a Victorian mechanical services plumbing licence with other jurisdictions

First Jurisdiction		Secon	d Jurisdiction					
Vic	NSW ¹	Vic ²	Qld ³	WA	SA ⁴	Tas ⁵	ACT	NT
Plumber – Mechanical Services Licence	Contractor Licence – Mechanical Services (Q endorsed) AND Contractor Licence – Air conditioning Work (Q endorsed) excluding AEW AND Contractor Licence – Refrigeration Work (Q endorsed) excluding REW OR Supervisor Certificate – Mechanical		Trade Contractor Licence- Refrigeration, Air-conditioning and Mechanical Services Including Unlimited Design restricted to AMSP-A, AMSP-F, ADW-A, RMSP-A, RMSP-B, RDW	Not licensed in this jurisdiction	Building Work Contractors Licence – Specified Building Work Limited to Air Conditioning and Refrigeration Equipment Installation AND Building Work Supervisors Registration – Specified Building Work – Limited to Air Conditioning and Refrigeration Equipment Installation	Certificate of registration Advanced Plumber – Mechanical Services Plumbing	Not licensed in this jurisdiction	Not licensed in this jurisdiction

⁸ The only exception to this arrangement is Queensland, which operates an external licence recognition for electricians and electrical fitters.

First Jurisdiction		Secon	Second Jurisdiction					
Vic	NSW ¹	Vic ²	Qld ³	WA	SA ⁴	Tas ⁵	ACT	NT
	Services AND Supervisor Certificate – Air Conditioning excluding AEW AND Supervisor Certificate – Refrigeration work excluding REW							

AMSP-A: Construction, installation, replacement, repair, alteration, maintenance, testing and commissioning of mechanical heating, cooling and ventilation systems (excluding ducting) in or of buildings, (does not mean Gasfitting or Water plumbing),

AMSP-F: Replacement, repair, alteration, maintenance, testing and commissioning of ducting associated with mechanical heating and cooling and ventilation systems in or of buildings,

ADW-A: Design of mechanical heating and cooling and ventilation systems in or of buildings subject to the following conditions (but does not mean Gasfitting or Water plumbing),

AEW: Disconnection and reconnection of domestic or commercial air-conditioning and refrigeration equipment or components and includes faultfinding of equipment to determine component failure. It includes installation work (excluding the installation of fixed wiring) and plug and cord faultfinding Note: South Australia and Western Australia allows licensees for this class to install factory supplied fixed cable between split air-conditioning systems up to 4 Kilowatts,

RMSP-A: Construction, installation, replacement, repair, alteration, maintenance, testing and commissioning of refrigeration equipment which is associated with mechanical heating and cooling and ventilation systems located in or of a building,

RMSP-B: Construction, installation, replacement, repair, alteration, maintenance, testing and commissioning of refrigeration equipment which is associated with mechanical heating and cooling and ventilation systems located in or of a structure,

RDW: Design of refrigeration equipment systems in buildings,

REW: Disconnection and reconnection of domestic or commercial air-conditioning and refrigeration equipment or components and includes faultfinding of equipment to determine component failure. It includes installation work (excluding the installation of fixed wiring) and plug and cord fault finding. Note: South Australia and Western Australia allow licensees for this class to install factory-supplied fixed cable between split air-conditioning systems up to 4 kilowatts.

The Productivity Commission reviewed mutual recognition in 2003, and again in 2009. The commission found, on both occasions, that on the whole, mutual recognition had reduced impediments to labour mobility. In particular, it found that 'mutual recognition appears to be associated with a modest increase in the number of interstate arrivals in registered occupations compared with other occupations.'9 On both occasions, the commission identified problems with the day-to-day operation of mutual recognition, including equivalence of occupations, registrations coverage and the expertise of regulators.¹⁰ In cases where regulators do not apply mutual recognition correctly, complications can be created by conditions and restrictions placed on licensees when they move across jurisdictions. Both reports made recommendations for improvements.

⁹ Productivity Commission 2003, Evaluation of the mutual recognition schemes: research report, p. 40.

¹⁰ See the Productivity Commission's Review of Mutual Recognition Schemes, pp.59–62.

The Productivity Commission supported the development of nationally uniform licensing requirements and national registration systems for occupations with workforces that were highly mobile across jurisdictions, where licence requirements between jurisdictions were significantly different, and where the benefits would justify the costs.

In 2008, the Allen Consulting Group¹¹ undertook a follow-up review of changes made following the Productivity Commission report. It found evidence that mutual recognition had reduced regulatory burdens on licensees and some evidence that mutual recognition had reduced barriers to mobility from licence differences. It also found a strong view in industry that labour shortages were due less to low mobility than to overall skills shortages nationwide. A bigger issue identified was the high cost of holding multiple licences, due to application and renewal fees. The review also identified a continuum of licensing models, from the current mutual recognition arrangements through to national licensing, including 'enhanced mutual recognition' (or 'driver's licence model').

In some jurisdictions, there are existing licensing arrangements in place, outside of mutual recognition, which are designed to reduce the regulatory burden for licensees living in border regions. For example, New South Wales and Victoria have a cross-border agreement that enables individuals who are located on the New South Wales and Victorian border, and whose day-to-day work regularly takes them across the border, to only pay fees for a licence in the state where they live. Victoria, however, does require the payment of an application fee where this applies. This is arguably a form of enhanced mutual recognition. The other jurisdiction provides a reciprocal licence free of the requirement to pay a fee. Other jurisdictions may have similar arrangements in areas close to their borders.

There has been insufficient information provided as to how these cross-border only solutions currently work. It should be noted that the information provided states that the cross-border mutual recognition is only available to certain licensees and occupations.

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¹¹ Allen Consulting Group 2008, Evaluation of COAG initiatives for full and effective mutual recognition.

3 Options for reform

This Consultation Regulation Impact Statement (RIS) provides a detailed overview of the policy options for national licensing identified through the policy development process. It does not discuss options for maintenance of the existing jurisdictional arrangements except as a 'base case' (status quo) for assessing the impact, both quantitative and qualitative, of the introduction of national licensing. While option 2, automatic mutual recognition, represents an approach to meeting some of the objectives of national licensing, it is a hybrid of the status quo and national licensing and does not propose a consistent national approach to standard setting and policy. For clarity, therefore, where the term 'national licensing' is used in this Consultation RIS, it refers only to the national licensing approaches represented by option 4 in 3.1.

3.1 Options for consideration

The following options are proposed for the licensing of the refrigeration and air-conditioning occupations:

Option 1 – status quo

Under this option, the states and territories will continue to license and regulate the refrigeration and air-conditioning occupations as they currently do.

Option 2 – automatic mutual recognition

This option proposes a 'driver's licence' approach to national licensing whereby each jurisdiction would continue to issue licences under either its existing jurisdictional categories and associated regulated work or against a harmonised set of categories and work and licences, which have been declared equivalent following agreement by the states and territories. In both cases, these licences would be recognised by every other state and territory that licenses refrigeration and airconditioning work, without the licensee having to apply for an additional licence or pay an additional fee to work in another licensed jurisdiction.

Option 3 - no licensing (except for the Commonwealth Arctick licence)

Under this model, the refrigeration and air-conditioning occupations would not be licensed under national licensing or by the states and territories. The Commonwealth Arctick scheme would remain in its current form to ensure that the Australian Government meets its international obligations under the Montreal Protocol. This licence would continue as a requirement for those who work with ozone depleting gases, as currently occurs in those jurisdictions that do not license this occupation. A public register is in place for the Commonwealth Arctick licence holders.

Option 4 – national licensing

This option would provide a single policy approach to the licence categories, regulated work and the eligibility requirements to obtain a refrigeration and air-conditioning licence. The option would allow a person licensed in one jurisdiction to work anywhere in Australia without having to reapply for a licence or pay an additional fee in those jurisdictions where the relevant work is licensed. A national public licensing register (that includes a central database and national public licence register) would be established. Within national licensing two models are proposed:

national licensing model A (preferred option)

This model proposes licensing at a contractor and licence level for:

- refrigeration and air-conditioning
- refrigeration and air-conditioning restricted to heat pump and split systems installation

and licensing at the licence (occupational licence) level only for:

- a provisional refrigeration and air-conditioning licence.
- national licensing model B: partial regulation

This model proposes partial regulation of the refrigeration and air-conditioning occupations, with licensing at the contractor level only for:

- refrigeration and air-conditioning
- refrigeration and air-conditioning restricted to heat pump and split systems installation.

Therefore a:

- contractor licence would still be required to have a nominee who would hold the Commonwealth Arctick licence
- neither the licence level (occupational licence), nor the provisional licence level would be required.

The Arctick licence would remain as a Commonwealth requirement for those working with fluorocarbon refrigerants in the refrigeration and air-conditioning occupations under all options proposed.

Note that the draft Amendment Bill and regulations that will accompany the next version of the RIS are being prepared based on Option 4, national licensing model A, as this was the preferred option of the interim advisory committee, following the policy development process.

An analysis of the four proposed options follows.

3.2 Option 1 – status quo

Under the status quo option the states and territories would continue to operate their own licensing systems with different jurisdictional policy development processes, applicant assessment standards and mechanisms and disciplinary outcomes for behaviour breaches. Licensed workers would continue to be subject to the requirements of the *Mutual Recognition Act 1992* when they wished to work in another state or territories, and would need to apply for a licence and pay an additional fee in each state or territory in which they chose to operate.

This option would not address the current regulatory complexities, duplication across jurisdictions or impediments to a national economy. Nor would it meet the terms of the Council of Australian Governments (COAG) agreement for a national trade licensing system. This option was not costed.

3.3 Option 2 – automatic mutual recognition (driver's licence)

3.3.1 Background - 2009 Decision Regulation Impact Statement

The National Licensing System for Specified Occupations Decision Regulation Impact Statement of April 2009 (2009 Decision RIS), provided information on two implementation models for a national trade licensing system: a national single agency model and a national delegated agency model. The latter model was recommended. The 2009 Decision RIS also noted that both the status quo and a driver's licence model had been considered as additional options (although they were not costed), but that the then COAG Skills Recognition Steering Committee and the Business Regulation and Competition Working Group had recommended a national trade licensing system to COAG. COAG subsequently agreed to the development of a national trade licensing system on 3 July 2008, and on 30 April 2009, state and territory first ministers signed the Intergovernmental Agreement for a National Licensing System for Specified Occupations.

3.3.1.1 Overview of the driver's licence models (2009 Decision RIS)

The 2009 Decision RIS outlined two possible approaches to an automatic mutual recognition (driver's licence model) – unharmonised and harmonised. In the first, licences would remain unharmonised; that is, skills, administration and compliance requirements would not be harmonised and each jurisdiction would continue implementing its existing requirements. In the second, jurisdictions would seek to harmonise these aspects of licensing.

Under both drivers' licence models, an occupational licence issued by any jurisdiction would be valid in any state or territory in Australia. The *Mutual Recognition Act 1992* would be amended for selected occupations to allow licences valid in one jurisdiction to be recognised elsewhere. State and territory regulators would continue to issue jurisdiction-specific licences and to operate and maintain their licensing systems under their existing legislation.

Both models would facilitate labour mobility and could be expected to reduce the regulatory burden, as licensees would not have to register in each jurisdiction or to pay additional fees in a state or territory other than their primary jurisdiction.

3.3.1.2 Limitations of the unharmonised model (2009 Decision RIS)

The effect of the unharmonised driver's licence approach, however, would be to import the complexities of each jurisdiction's licensing system into the other jurisdictions. Regulators would need to be familiar with the scope of work covered by each licence in order to properly monitor the work of licensees. In effect this means that because of jurisdictional differences between scopes of regulated work and qualification requirements, licensees may need to hold additional local licences or be required to carry out a smaller scope of work than 'local' licensees. The 2009 Decision RIS noted that an unharmonised approach would not address issues of consistency or transparency, would increase the level of complexity for individuals and businesses (in understanding jurisdictional licensing and conduct differences) and has the potential to increase consumer confusion. It further noted that there are potentially perverse impacts on consumer protection outcomes by undermining the integrity of jurisdictional regulatory regimes and the potential for jurisdiction shopping could increase. It also noted that there was a significant risk that regulators would lose confidence in the arrangements over time.

3.3.1.3 Limitations of the harmonised driver's licence model (2009 Decision RIS)

In the harmonised driver's licence model, national governance arrangements, comprising representatives of all states and territories, would be needed for each occupation to coordinate the establishment and maintenance of the harmonised arrangements. However, a system that is harmonised rather than unified was considered to require a comparatively high degree of continuing interjurisdictional coordination to ensure that practices remain consistent over time. While occupation-based interjurisdictional committees currently exist for some occupations, for example, the National Plumbing Regulators Forum in the plumbing occupation, they do not exist for the refrigeration and air-conditioning occupations. To establish such a group would require substantial resourcing, and time, to agree and maintain harmonisation. They would also need to introduce and empower a central mechanism to resolve ongoing jurisdictional differences. Difficulties were also envisaged in maintaining consistency in legislative provisions without a common legislative basis. It was noted that costs would still be incurred in relation to policy development and legislative changes.

In the absence of any detailed costing, it was considered that a harmonised driver's licence model had a number of disadvantages. These included the high risk of reforms unravelling over time due to the high level of interjurisdictional coordination needed and the failure of past attempts to harmonise regimes. It was also considered that there was a greater likelihood of resistance to reforms and fewer opportunities to streamline and rationalise licensing frameworks.

In regard to the 2009 Decision RIS, it should be noted that the standard automotive driver's licence arrangement works because the regulated work – driving – is essentially the same in all jurisdictions. Automatic mutual recognition has also proved effective in an occupational context in the area of national deeming arrangements for veterinarians, for the same reason. For driving licences, minor differences exist relating to licence conditions (such as age eligibility and driving restrictions, such as differing acceptable blood alcohol content levels and hours of driving experience) as well as some jurisdiction-specific road rules (such as restrictions on mobile phone use restrictions, restrictions for buses over level crossings and different U-turn rules). These differences equate to the conduct rules for occupational licensing. However, for the refrigeration and air-conditioning occupations, as an example, the current differences in eligibility requirements and scopes of regulated work between jurisdictions are more complex than for driver's licence holders.

3.3.2 Revisiting the driver's licence model – automatic mutual recognition

Given that the driver's licence model was not costed in the 2009 Decision RIS, it was considered prudent to revisit this model, to determine whether it is a viable alternative. Accordingly, this Consultation RIS presents the advantages and limitations of an automatic mutual recognition option, referred to as the driver's licence model (see Table 3.1), for further comment by industry stakeholders, government, consumers and the wider community.

Automatic mutual recognition is one option to address the issues of labour mobility and regulatory burden associated with licensees operating across jurisdictions. Currently, under mutual recognition a licence holder must demonstrate that they are licensed in another jurisdiction and pay an additional fee for an additional licence. In some circumstances, conditions, restrictions or endorsements may be applied to the licence in the second jurisdiction to achieve licence equivalence. Under an automatic mutual recognition approach, the holder of an occupational licence granted in one jurisdiction would be automatically allowed to perform the same scope of licensed work across all jurisdictions in the equivalent occupation, without the need to apply for a licence in the second jurisdiction or pay additional fees for licences. However, it would become the responsibility of the licensee and their employers to understand the licensing requirements in each jurisdiction and ensure licensees do not carry out work they are not licensed or qualified to do. This option is similar to the arrangements that apply to a driver's licence, where a licence in one jurisdiction entitles the bearer to drive anywhere in Australia.

Jurisdictions could also agree to harmonise some licensing requirements in the implementation of this option, such as by removing some licensing requirements that are more onerous than in other jurisdictions. This includes, for example, agreeing on removing the requirement for continuing professional development or harmonising licence qualifications and scopes of work and rationalising the number of licences. Harmonisation could be based on the policy development work undertaken to date for national licensing; however, in the absence of a national coordinating mechanism or body, harmonisation is likely to be difficult, time consuming and hard to maintain over time.

3.3.3 How automatic mutual recognition could work

Ministerial declarations made under section 32 of the Mutual Recognition Act have tables of licence equivalents across all jurisdictions that are party to the declarations. One possible method of achieving automatic mutual recognition could be to amend section 32 of that Act to provide that a declaration may allow licensees to work across jurisdictions in the equivalent licence categories (the Act currently does not remove the requirement for licensees to apply for the equivalent licence category in other jurisdictions)¹². In addition, changes would need to be made to jurisdictional

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¹² If the Commonwealth is to have no legislative role in national licensing, as agreed by COAG, then this may not be possible. Changes would need to be made to jurisdictional legislation to allow certain licences in the matrices under the Act to be recognised.

legislation to allow certain licences in the matrices under the Mutual Recognition Act to be recognised, as it is inappropriate for a Commonwealth ministerial declaration to impose legal recognition under state and territory regulatory systems. Automatic mutual recognition would create an automatic right to work across jurisdictions in specified categories. However, significant changes may also be required to accommodate business and contractor licences as the system of mutual recognition is designed around an individual's occupational licence. Changes to jurisdictional occupational legislation may be required to allow for such licences. As mentioned previously, mutual recognition does not apply to corporations, partnerships or similar entities.

Not all licences are included in the ministerial declarations therefore jurisdictions would need to continue to cooperate on standardising requirements for the remaining classes for inclusion where practicable. This includes regulated work, qualifications and probity requirements. Its immediate applicability to the refrigeration and air-conditioning occupations is discussed in 3.3.6.

Where licence scopes differ across jurisdictions, jurisdictional regulators would need to understand the permitted scopes of regulated work for each licence. Any licensees operating outside the scope of their jurisdictional equivalent licence category (i.e. home state licence) would be subject to enforcement activities by the relevant jurisdiction's regulator.

3.3.3.1 Conduct and compliance requirements

Under an automatic mutual recognition regime, there would be no need for licensees working in a second jurisdiction to pay additional fees or lodge licence applications.

Licensees choosing to work in an additional jurisdiction would also still need to comply with any relevant jurisdiction-specific conduct and compliance requirements that apply to the work they intend to perform. For example, licensees may be required to familiarise themselves with jurisdiction-specific variations around refrigeration and air-conditioning work, purchase and lodge compliance certificates where required with the regulator, and/or notify the regulator of the work and arrange for an inspection. The need to comply with such requirements would be a requirement of any option.

An automatic mutual recognition regime could be supported by a central register of disciplinary actions to enable jurisdictional regulators to be aware of any pending actions, disciplinary actions underway, etc. To provide a level of transparency for consumers of the services or for compliance purposes, the requirements for a register (in terms of scope, build costs, and maintenance, etc.) would need to be considered and costed. A register containing completed disciplinary actions, while being less costly to establish than a national register, would, however, fall short of the complete central national register of licence holders proposed under national licensing. However, in the absence of a central licensing or coordinating body, such as the Licensing Authority, the question needs to be asked as to the process surrounding who would provide, maintain and service the central database within the jurisdictions.

3.3.3.2 Benefits compared with the status quo

In comparing this option to the status quo, automatic mutual recognition has the benefit of removing many of the extra fees, delays, regulatory uncertainty and other barriers that can arise in the current mutual recognition process. This is discussed further in the impact analysis in Chapter 4.

3.3.4 Costs of implementing automatic mutual recognition

3.3.4.1 Legislative change, IT register and new administrative arrangements

To implement automatic mutual recognition, legislative changes would be required and an IT register would need to be developed and maintained. Compliance arrangements would need to be

developed by regulators. There would also be costs associated with coordinating management of the IT register. Under a harmonised model, and as with current mutual recognition arrangements, there would be a cost in maintaining equivalence of licence tables and mechanisms to ensure consistency in licence categories over time. Any future harmonisation work – for example, reforms to conduct requirements – would also incur costs. This is discussed further in the impact analysis in Chapter 4.

3.3.4.2 Additional burden on employers and individuals

Under an unharmonised model, there would continue to be instances where scopes of regulated work and other licence requirements differ across jurisdictions, and licensees would need to be aware of multiple jurisdictions' licence requirements. This situation would be identical to the current operation of mutual recognition. This would also impose an additional cost to employers who choose to employ skilled labour from other jurisdictions or who operate across jurisdictions. Those employers would need to be aware of multiple jurisdictional requirements to understand what their employees are qualified and authorised to do under their licence (and any conditions or restrictions placed on licensees they employ), to ensure that they do not direct employees to work beyond the scope of their jurisdictional licence. This would be an increased burden compared with the current operation of mutual recognition arrangements as, through mutual recognition, the original licence is 'translated' into the regulatory terms of the jurisdiction of operation. This burden would not apply to employers who operate in a single jurisdiction and who do not engage interstate workers. This is discussed further in the impact analysis in Chapter 4.

3.3.4.3 Differing fee levels and jurisdiction shopping

Conduct and fee levels would remain a jurisdictional responsibility under automatic mutual recognition as it does under national licensing. However, under this option, differential fee levels across jurisdictions may promote instances of 'jurisdiction shopping' given that licensees would be allowed to work across Australia. There would be a need for specific legislative requirements for determining the jurisdiction in which a licensee would be issued their licence (e.g. where the applicant resides or where the majority of their work will be conducted). This is discussed further in the impact analysis in Chapter 4.

3.3.5 Limitations of automatic mutual recognition

3.3.5.1 Consumer protection and health and safety

A key issue relates to the certainty of consumer protection and health and safety outcomes. While all persons undertaking work across jurisdictions would have the appropriate licensing to perform that work in both their primary and any second jurisdictions, there would be differences in permitted scopes of regulated work. It is the primary responsibility of the licensee to ensure that they are licensed to carry out the scope of work permitted under their licence when working in another jurisdiction. Differences in scopes of regulated work could raise the risk of licensees working outside their scope of regulated work in secondary jurisdictions, thus affecting consumer protection and health and safety.

It should be noted, however, that this is an ever-present risk under mutual recognition arrangements. Along with changes in conduct requirements, licensees moving to another jurisdiction would need to be cognisant of any differences in the scopes of regulated work.

Although the COAG mutual recognition initiatives have reduced some regulatory costs through more streamlined application processes and greater consistency of decisions, many regulators questioned whether the initiatives would be sustainable without a central coordinating mechanism. Regulators almost universally expressed the view that it would be highly desirable to have a central coordinating body to support updating of licence equivalency.

There was a strong current of opinion among regulators that ongoing administrative resources will be required to maintain the licence recognition website, coordinate meetings and facilitate drafting of amendments to the ministerial declarations. Although such work would not be an enormous administrative task (of the order of \$1 million per year), the view was that without a commitment at this level, there was a danger that the focus on the currency of information would be lost. 13

3.3.5.2 Compliance difficulties

Automatic mutual recognition would require local regulators who monitor and enforce compliance with licensing to understand several jurisdictions' licensing requirements rather than just their own. While licence mapping or tables may assist, the mutual recognition tables do not take into account any conditions or restrictions on licences, and any such conditions or restrictions would be carried through to the second jurisdiction. This represents a further complication for compliance purposes if the condition or restriction is not apparent on the face of the licence.

3.3.5.3 Uptake of automatic mutual recognition option

Under the automatic mutual recognition model, some licensees may choose to voluntarily obtain a 'local' licence in secondary jurisdictions even if the legislative requirement to do so is removed.

This situation could arise due to a number of factors, including:

- the licensee seeking information on what work can be undertaken in the jurisdiction
- employer and consumer preference for those holding 'local' licences
- a desire to advertise with a local licence number (e.g. for branding purposes)
- assurance of entry onto the 'local' regulator's public register of licensees
- the perception of a consumer preference for those holding a 'local' licence.

These risks would be exacerbated by continuing differences in licence eligibility criteria between jurisdictions, or where licensees from other jurisdictions are perceived to be less qualified.

The likelihood that some (or many) licensees will choose to voluntarily obtain a licence in 'secondary' jurisdictions is supported by the evidence from Queensland's electrical licensing, where a form of automatic licence recognition is already in place for some licences. Despite the existence of automatic licence recognition, the evidence is that many interstate licensees still choose to apply for a Queensland licence.

3.3.5.4 Absence of strong central coordination

While the decentralised nature of the governance of mutual recognition schemes has assisted in keeping administration costs low, it has led to little government coordination, both within and across jurisdictions. The responsibility for ongoing oversight has been spread across several bodies, each with narrow responsibilities, and with minimal resources to carry out coordination functions.

The Productivity Commission recognised this issue and recommended the establishment of a specialist unit (funded by jurisdictions) to provide oversight for the mutual recognition of occupations.¹⁴

In the absence of a central licensing authority such as the National Occupational Licensing Authority, the automatic licensing option may experience similar problems related to decentralised governance. For example, to ensure continuing equivalence measures, a decision to reduce licensing

¹³ The Allen Consulting group report Evaluation of the COAG Initiatives for full and effective mutual recognition, June 2008.

¹⁴ Productivity Commission 2009, Review of mutual recognition schemes: research report.

requirements in one jurisdiction would require agreement by every other participating jurisdiction before changes could be implemented. Without a central coordinating body such as the licensing authority, this process may be time consuming, administratively inefficient, and if jurisdictional views differed, potentially unachievable. If consensus was not achieved and a jurisdiction made changes, there would be a risk that automatic mutual recognition for the licence in question could be revoked.

The additional governance costs associated with managing these issues would be less transparent under the automatic mutual recognition than they would be under the national licensing model (the budget of the National Occupational Licensing Authority, for example, would be open to scrutiny) as the automatic mutual recognition option has not been fully developed.

The proposed system of automatic mutual recognition would be fragmented in its implementation if an approach is taken, whereby occupational categories with similar regulated work would commence initially and work would be undertaken on other categories before commencement. This would entail some licence categories starting immediately, some at a later date, and some (contractor) not at all. Licensees who operate across categories would be at risk of incurring extra costs as they try to operate under two different regimes, those recognised under automatic mutual recognition and those not yet included.

The automatic mutual recognition model would not prevent jurisdictions from creating new licence categories and exacerbating barriers to entry, whereas with a centralised approach to licensing policy any new licence category would be capable of application across jurisdictions quickly.

3.3.6 How automatic mutual recognition would work for the refrigeration and air-conditioning occupations

The ability of automatic mutual recognition to address mobility and productivity issues could be based on current mutual recognition tables that detail common scopes of regulated work. These tables already detail equivalent licences across jurisdictions, and note that these equivalents may include some or all scopes of work listed. Automatic mutual recognition could be an extension of these current arrangements. The tables are, however, complex and require periodic maintenance in order to reflect changes in jurisdictional licence policy. An example of a mutual recognition table can be found in Chapter 2.

In the refrigeration and air-conditioning occupations, the work of a refrigeration and air-conditioning mechanic is often dissimilar across jurisdictions, due to different approaches to licensing structure and scope of regulated work. There would, therefore, be issues in the implementation of automatic mutual recognition in all licence categories, resolution of which would benefit from further cooperation between jurisdictions on standardising requirements. The automatic mutual recognition model has limited application for the refrigeration and air-conditioning occupations because:

- There is no recognition of licences required between those jurisdictions that do not licence this work
- Where an individual or business from a jurisdiction that does not licence refrigeration and air-conditioning work seeks to carry out this work in a jurisdiction that does licence refrigeration and air-conditioning work, they would have to apply (through current mutual recognition processes) for a licence in that jurisdiction, irrespective of the automatic mutual recognition scheme.

Nevertheless, under an automatic mutual recognition model, what a person is licensed to do in his or her primary jurisdiction is what they would be able to do in secondary jurisdictions.

Table 3.1 summarises the benefits and costs of the automatic mutual recognition model compared to the status quo.

Table 3.1: Identified benefits and costs of the automatic mutual recognition model for the refrigeration and air-conditioning occupational area compared to the status quo

Nature of Impact	Industry / Licensees	Government	Consumers
Benefits	Removal of need to hold multiple jurisdictional licences Improved labour mobility Removal of need to pay additional fees to work in multiple jurisdictions Removal of unnecessary regulatory burden ^a (subject to jurisdictions agreeing to contingent harmonisation measures)	Reduced administrative effort and costs from not needing to issue licences to licensees from other jurisdictions Quick implementation of initial licence categories	Improved access to licensed tradespeople due to greater licence mobility
Costs	Possible increases in administrative burden for licensees and their employers operating across jurisdictions as it becomes less clear what work licensees are licensed to do ^b	Cost of establishing a national register Cost of establishing a register of disciplinary actions Minor transition costs Less revenue from removal of need to hold multiple jurisdictional licences Potential increased compliance costs because regulators will have less idea of who is operating in their jurisdiction, and compliance officers will need to be aware of multiple jurisdictions' licence requirements to enforce licences Cost of future licence harmonisation activity Cost of developing a uniform approach to the notification process resulting from licensees moving across jurisdictions	Consumers engaging an interstate licensee will have to rely on the licensee's advice and self-regulation on what work can be undertaken in that jurisdiction as they would not be dealing with a state-specific regulatory structure, nor necessarily with a consistent national structure of regulated work Information on licence cards would differ across jurisdictions, resulting in potential uncertainty for consumers

a Subject to jurisdictions agreeing some harmonisation measures such as removing continuous professional, rationalising the number of licence categories and harmonising licence eligibility and qualification requirements.

3.4 Option 3 - No licensing (except for the Commonwealth Arctick licence)

Under this model, the refrigeration and air-conditioning occupations would not be licensed by the states and territories. The Commonwealth's Arctick licence would continue to apply, as would, where required, national restricted electrical and plumbing licences.

Within the plumbing and gasfitting occupations RIS a restricted reconnection/disconnection licence has been proposed with a narrow scope of regulated work that relates only to disconnecting, removing and replacing a residential hot water heater including connecting or replacing like for like. A proposal has been included in the plumbing and gasfitting RIS suggesting a broader restricted

b Industry and licensees will need to be aware of several licensing regimes, rather than their own (and similarly for government compliance officers).

plumber (disconnect/reconnect) licence that would (among other things) authorise any disconnection and reconnection of refrigeration and air-conditioning equipment from a water supply. This broader restricted plumbing licence could be necessary under both this option and under the national licensing model B (partial regulation) as the disconnection and reconnection of refrigeration and air-conditioning equipment from a water supply is included in the scope of regulated work for both the refrigeration and air-conditioning licences under national licensing model A.

It should be noted that if there is no national refrigeration and air-conditioning (occupational) licence or broader restricted plumber (disconnect/reconnect) licence – a full national plumbing licence would be required to undertake this work.

The qualifications currently required to obtain a Commonwealth Arctick licence are identical to those required in New South Wales for licensing, and for the endorsement offered in Victoria. Queensland licenses at a contractor level only and requires additional financial and managerial qualifications for both of their refrigeration and air-conditioning trade contractor licences. With the Queensland licence – refrigeration, air-conditioning and mechanical services including limited design – the technical skills are comparable to those required by the Commonwealth Arctick licence. The majority of Queensland licensees hold this 'limited' licence. It includes the same qualifications that are proposed to obtain all refrigeration and air-conditioning licences under national licensing. The qualification requirements for the Arctick licence can be found in 3.5.12.1.

Although the Commonwealth's Arctick licence does not include the ability to enter into contracts, and thereby does not necessarily ensure consumer safety and consumer protection, it has two positive effects in terms of consumer and worker safety, and other risks identified in Attachment E. Firstly, there is a consistent regulation and skill requirement for the most common refrigerants used in refrigeration and air-conditioning installations. Secondly, the skills training necessary to obtain the Arctick licence is the same requirement as that proposed to obtain a licence in the occupation under national licensing. The restricted electrical licence encompasses the necessary skills and training required for the associated electrical work. Other legislation, such as dangerous goods, occupational health and safety, health and consumer law, would continue to apply regardless of which model is implemented.

The steering committee proposed that the no licensing (except for the Commonwealth Arctick licence) option be considered because the occupation is currently licensed only in a minority of jurisdictions: New South Wales, Victoria and Queensland.

The Refrigeration and Air-conditioning Interim Advisory Committee considered the no licensing (except for the Commonwealth Arctick licence) option but decided that a licence should still be required for this work. Members identified the following advantages and disadvantages of no licensing (except for the Commonwealth Arctick licence):

Advantages of no licensing (except for the Commonwealth Arctick licence) include:

- A Commonwealth licence scheme is in place to deal with ozone-depleting and synthetic greenhouse gases and ensures a skilled and qualified workforce.
- Qualifications to obtain a Commonwealth Arctick licence are the same as those proposed under national licensing.
- Other regulatory controls that are already in place cover many aspects of the occupation, including occupational, health and safety, and dangerous goods (use of hydrocarbon refrigerants in some jurisdictions).
- There is a cost saving from the perspective of licence holders (who would pay for one licence –
 the Commonwealth Arctick licence), consumers and government (reduction in administrative,
 compliance and conduct costs).

- Consumers have the right of redress through tribunals and courts and/conduct-related insurance as is currently the case for many unlicensed occupations in all jurisdictions.
- There is a public register for Arctick licence holders, providing assurances to consumers on the skills of the licence holder.
- The installation of refrigeration and air-conditioning equipment is licensed (by Arctick).
- Unnecessary duplication between the national licensing scheme and the Arctick licensing scheme would be prevented.

Disadvantages of no licensing (except for the Commonwealth Arctick licence) include:

- It has the potential to take away the benchmarks that exist currently in certain jurisdictions and may reduce the training standards within the industry.
- It does not deal with other environmental impacts, for example natural refrigerants, that include hydrocarbon refrigerants, at this stage.
- The overall efficiency of the industry may be reduced, for example, there would be no
 opportunity for requiring any continuing professional development, which is an integral part of a
 jurisdictions licence regime.
- There are impacts on jurisdictional revenue, where licence fees are used to cover the cost of education of licensees.
- The removal of hydrocarbon refrigerant licensing in Queensland means that no specific training is required for the safe use and handling of hydrocarbon refrigerants by the Commonwealth Arctick licensees (at this stage), which has the potential to affect the safety of workers, consumers and the community in Queensland (noting that the relevant hydrocarbon refrigerant units are proposed to be incorporated in the Certificate III package that is also required by Arctick).

A number of concerns have been raised by Queensland regarding the no licensing (except for the Commonwealth Arctick licence) option. In particular, it has specific concerns with the Commonwealth Arctick licence, which include:

- The Arctick licence covers only the handling of fluorocarbon refrigerants and not the emerging use of natural refrigerants (in particular, hydrocarbon refrigerants).
- The Arctick licence is driven by environmental protection objectives rather than the safety of workers and the public, and lacks a consumer incident prevention and risk-based mitigation approach).
- The removal of the benefit to consumers of the protections offered by the Queensland Building Services Authority through:
 - its dispute-resolution mechanism
 - the Queensland home warranty scheme, which protects against defective and incomplete work and would not be available to consumers.

In 1996 New South Wales introduced a process of regulatory reduction that included reducing the number of licensed occupations. An outcome of that process was a recommendation to remove the licensing of the refrigeration and air conditioning occupations. The regulation and licensing of the occupation were seen as being duplicated by other regulatory means. Such duplication includes health legislation for maintaining the safe operation of cooling towers, occupational licensing if working with electrical components, and if working with chlorofluorocarbons, the requirement to be registered with the then Environment Protection Agency (now the Commonwealth Arctick licensing

scheme). New South Wales retained the licensing of the occupation following industry demand but has shown support for the no licensing of the refrigeration and air-conditioning occupations.

It is considered by some jurisdictions, and by the industry itself, that there is duplication of regulation, licensing and training requirements for the refrigeration and air-conditioning occupations between the states and territories and the Commonwealth. Some members of the interim advisory committees suggested that licensing should be undertaken by the Australian Refrigeration Council Ltd, as the majority of those working within the refrigeration and air-conditioning industry also carry an Arctick licence. This duplication is seen as placing an extra burden on licence holders and increases the compliance burden for governments as well.

3.4.1 Implications for consumer protection safeguards

The Interim Advisory Committee considered there was a risk to consumer protection if there was no licensing of the refrigeration and air-conditioning occupations, specifically, that consumers would be unable to identify if the person installing a refrigeration and air-conditioning unit were qualified.

Queensland raised concerns about the possible implications that the 'no licensing (except for the Commonwealth Arctick licence) option' may have on the Queensland Home Warranty Insurance – essentially, if defective work were carried out by individuals not possessing either a Queensland Building Services Authority or national contractor licence. Any claims regarding the defective work would not be eligible against the Home Warranty Insurance fund.

"The Queensland Building Services Authority contract licensing scheme, and Home Warranty Insurance, was created in part to address the cost and inefficiency of the current, alternative mechanisms, and, if there is no licensing (except for the Commonwealth Arctick licence), consumers would have reduced access to these affordable, fast dispute-resolution processes in Queensland."

As currently occurs in all jurisdictions, consumers have the right of redress through tribunals and courts and/or conduct-related insurance pathways.

Question: Does the no licensing (except for the Commonwealth Arctick licence) option adequately address the risks associated with work in the refrigeration and air-conditioning occupations?

3.5 Option 4 - National licensing options

Under the proposed national licensing option (both model A and model B), a licensee would be able to work without having to reapply or pay for another licence when moving to another jurisdiction within Australia. (The only exception to this would be the small proportion of instances where the second jurisdiction licenses a category not licensed in a person's primary jurisdiction. In that case an application for a national licence would need to be made.) A national licensing approach could be expected to greatly assist in responses to national emergencies by removing the need for any red tape where skilled workers were needed urgently.

It should be noted that there will still be a need for the mutual recognition of licences for occupations that are not covered under national licensing, and there will also be the need to continue to recognise refrigeration and air-conditioning occupational licences from New Zealand under the 1998 Trans-Tasman Mutual Recognition Arrangement.

As noted previously, the regulation of the behaviours and standards (conduct requirements) to be met by licensees following the attainment of a licence is not be currently within the scope of this reform. The full economic benefits of national licensing would be achieved if conduct requirements are reformed to provide for national standards for behaviour. Under the current proposed models, while consistent eligibility requirements for skills and non-skills-based requirements will be set

under national licensing, licensees will continue to need to meet any jurisdictional conduct requirements as a prerequisite to operating in a particular jurisdiction, for example, the requirement to hold certain types of insurance.

There are two models proposed under the national licensing option.

3.5.1 National licensing model A (preferred option)

This model proposes licensing at the contractor, licence (occupational) and provisional levels. This reflects the status quo in New South Wales and was the model preferred by the Interim Advisory Committee.

Advantages of the model include:

- It would provide the greatest level of transparency to consumers.
- It would have a single national (full) licence, with one title and one scope of regulated work, which would be issued throughout the country.
- Consumers would have the right of redress through tribunals and courts and/or conduct-related insurance, as is currently the case for many unlicensed occupations in all jurisdictions.
- There would be a public register for national licences holders, providing assurances to consumers about the skills of the licence holder.

If an endorsement for working with hydrocarbon refrigerants is agreed on, an advantage would be that it would cover natural refrigerants, including hydrocarbon refrigerants, among others.

Disadvantages of the model include that there would be:

- additional costs for:
 - licence holders (to hold both the national licence and the Commonwealth Arctick licence)
 - licensees in Victoria (to hold a contractor's licence) and in Queensland (to hold the (occupational) licence)
 - governments for Queensland to introduce occupational licences and for Victoria to introduce contractor licences.
- overlaps with the Commonwealth licensing regime.

3.5.2 National licensing model B: partial regulation

This model, suggested by Queensland as an option for consideration, proposes partial regulation of the refrigeration and air-conditioning occupations with licensing at the contractor level only for the following licence categories:

- refrigeration and air-conditioning
- refrigeration and air-conditioning restricted to heat pump and split systems installation.

The Commonwealth Arctick licence would remain unchanged and would be considered as the 'occupational or worker' licence or registration.

No provisional licence level would be required under this model.

This represents the status quo in Queensland. In New South Wales licenses at the contractor and licence occupational levels, while Victoria licences only at the occupational level. A similar model was considered during the policy development process, and several issues were identified.

Advantages of the model included that:

- There would be a cost saving for currently licensed workers in New South Wales and Victoria, who would no longer need to hold both the national occupational licence and the Arctick licence.
- Workers in Queensland would not be required to hold both a national occupational licence and the Arctick licence.
- The Commonwealth licence scheme would still be in place to deal with ozone-depleting and synthetic greenhouse gases and ensures a skilled and qualified workforce.
- There would be no duplication between the national licensing scheme and the Commonwealth Arctick licensing scheme
- Consumers would have the right of redress through tribunals and courts and/or conduct-related insurance, as is currently the case for many unlicensed occupations in all jurisdictions.
- A public register for Commonwealth Arctick licences holders would continue to exist, providing assurances to consumers about the skills of the licence holder.

Disadvantages of the model include that:

- Its costs could potentially be passed onto other businesses and/or responsible persons to enable regulators to cover the cost of conduct compliance.
- There would be a loss of connection between occupational (Arctick) and contractor (licensing authority) regulators.
- It could potentially remove the benchmarks that exist currently in certain jurisdictions, and may reduce the training standards within the industry.
- It does not deal with other environmental impacts for example, natural refrigerants at this stage (noting that the relevant hydrocarbon units are proposed to be incorporated in the Certificate III package also required by the Commonwealth Arctick licence).

Based on the above, the Interim Advisory Committee unanimously agreed that partial licensing was not a viable model to be considered for national licensing.

Under this model, although there is no national occupational licence, there would be a requirement for those actually connecting the refrigeration and air-conditioning equipment to an electrical or water supply to hold a restricted electrical or plumbing licence (as occurs in those jurisdictions that do not currently licence the occupation).

As for no licensing (except for the Commonwealth Arctick licence), it should be noted that if there is no national occupational licence and no broader restricted plumber (disconnect/reconnect) licence, a full national plumbing licence would be required to undertake this work.

Under national licensing it is proposed that there be no qualification requirements for contractors. Under this model, it would be a requirement for the contractor to have a technical nominee who would be required to hold the Commonwealth Arctick licence to ensure that there is a skilled person undertaking the work.

Question: Under national licensing, which is your preferred licensing model?

- i. Model A national licensing at the contractor, full licence and provisional licence levels (in addition to the Commonwealth Arctick licence)
- ii. Model B national licensing at the contractor level only (in addition to the Commonwealth Arctick licence)

Question: What are the key features or considerations that caused you to support Model B?

Question: What are the key features or considerations that caused you not to support Model A?

Question: What are the key features or considerations that caused you to support Model A?

Question: What are the key features or considerations that caused you not to support Model B?

3.5.3 Proposed categories of licence and regulated work

Regulated refrigeration and air-conditioning work is identified by clearly stated licence categories that reflect the type of work authorised under a licence. As previously mentioned, three jurisdictions license refrigeration and air-conditioning work as a separate occupation or as an endorsement on a plumbing licence, whereas other jurisdictions do not licence the occupation, but regulate it as part of plumbing, building or restricted electrical work where the focus is on different aspects of refrigeration and air-conditioning work.

A risk-based approach, based on identified health and safety risks associated with this work, was taken during the development of the national licence model for the refrigeration and air-conditioning occupations. The guidelines in COAG's *Best practice regulation principles* were also considered during policy development. An overview of the risks associated with refrigeration and air-conditioning work can be found in Attachment E.

It should be noted that under national licensing, jurisdictions that currently do not regulate a particular category of an occupational area would not be required to issue licences for that category (i.e. the jurisdiction could choose for that category to remain unlicensed in that jurisdiction). However, where a part of the scope of the work is licensed in some way under national licensing, a jurisdiction would be required to either pick up the category or deregulate.

The proposed categories of licences should be able to work effectively in current and future industry environments. Taking these elements into consideration and focusing on core areas of work assisted with the identification of the following proposed categories of licences. These categories apply only to national licensing model A:

- refrigeration and air-conditioning licence
- restricted refrigeration and air-conditioning (heat pump and split system installation) licence
- refrigeration and air-conditioning contractor licence
- restricted refrigeration and air-conditioning (heat pump and split system installation) contractor licence
- provisional refrigeration and air-conditioning licence.

Under national licensing Model B (contractor licence only) the following categories would apply:

- refrigeration and air-conditioning contractor licence
- restricted refrigeration and air-conditioning (heat pump and split system installation) contractor licence.

Regulated work means work that may be carried out only by a person licensed for the relevant category (i.e. what type of work is permitted under that licence); for example, a contractor is

licensed to contract for the work and a full licensee can undertake the technical work authorised. The policy description of the regulated work proposed for the various licence categories is outlined in Table 3.2. These descriptions apply to all proposed models for national licensing, subject to the outcomes of the consultation process. There are some differences between the core regulated work proposed under national licensing and the work currently regulated in some jurisdictions, for example, the removal of ducting for Victoria and ducting and design for Queensland. It should be noted that the policy description of the proposed regulated work may differ for legal reasons to the wording contained in the legislative schema (National Law).

National licensing - model A

Question: Do you agree that national licensing (model A) should include the following licence categories (in addition to the Commonwealth Arctick licence)?

- i. refrigeration and air-conditioning licence
- ii. restricted refrigeration and air-conditioning (heat pump and split system installation) licence
- iii. refrigeration and air-conditioning contractor licence
- iv. restricted refrigeration and air-conditioning (heat pump and split systems installation) contractor licence
- v. provisional refrigeration and air-conditioning

If no to any of the above please specify.

Question: Are there any additional licence categories that should be considered?

Table 3.2: Proposed categories of licence and regulated work for the refrigeration and airconditioning categories

Category	Regulated work
Refrigeration and air-conditioning licence	Refrigeration and air-conditioning work means installing, replacing, repairing, altering, maintaining, commissioning or decommissioning refrigeration and air-conditioning equipment. Refrigeration and air-conditioning work includes decanting the refrigerant.

Refrigeration and air-conditioning work does not include the following:

- connecting or disconnecting refrigeration and air-conditioning equipment from a water supply, other than disconnecting the equipment from a water supply at an isolating valve is adjacent to a mechanical component of the equipment
- installing, replacing, repairing, altering or maintaining self-contained single phase plug-in domestic refrigeration units
- installing, replacing, repairing, altering or maintaining self-contained single phase plug-in refrigeration and airconditioning units
- installing, replacing, repairing, altering or maintaining self-contained single phase plug-in refrigeration and airconditioning units for use in rooms and vehicles
- installing, replacing, repairing, altering or maintaining air-handling and water systems in cooling towers
- the installation, by manufacturers of vehicles or containers used for passenger or product transport, of refrigeration and air-conditioning units during the manufacture of the vehicles or containers
- work associated with the manufacture of refrigeration and air-conditioning units
- installing, replacing, repairing, altering or maintaining refrigeration or air-conditioning equipment on:
 - a ship registered in Australia
 - an offshore oil platform.

Ship registered in Australia means a ship registered in Australia within the meaning of section 7A of the Navigation Act 1912 (Cwlth) other than a recreational vessel.

conditioning (heat pump and split systems installation) licence altering, maintaining, commissioning or decommissioning the following refrigeration and air-conditioning equipment: a heat pump system a single-head split system air conditioner of less than 18 kW cooling capacity. Without limiting the above heat pump and split system installation work includes	Category	Regulated work
mentioned above.	conditioning (heat pump and split	refrigeration and air-conditioning equipment: a heat pump system a single-head split system air conditioner of less than 18 kW cooling capacity. Without limiting the above heat pump and split system installation work includes decanting the refrigerant from refrigeration and air-conditioning equipment

Heat pump and split system installation work does not include connecting or disconnecting refrigeration and air-conditioning equipment from a water supply, other than disconnecting the equipment from a water supply at an isolating valve adjacent to a mechanical component of the equipment.

3.5.4 Proposed definitions of terms

Domestic refrigeration unit means a refrigerator of a type normally used in:

- residential premises
- accommodation provided in a hotel or motel room.

Refrigerant means a prescribed substance. The following substances are prescribed in the refrigeration and air-conditioning regulations:

- ammonia
- carbon dioxide
- chlorofluorocarbon

- halon
- hydrochlorofluorocarbon
- hydrofluorocarbon
- perfluorocarbon
- water used in an evaporative cooling system.

Refrigeration and air-conditioning equipment means equipment:

- used for heating or cooling of a building
- that uses a refrigerant.

Single phase plug-in, in relation to a domestic refrigeration unit or a refrigeration or air-conditioning unit, means a system or circuit energised by a single alternating voltage.

Rationale

There are some differences with the description of the regulated work when compared to what currently exists in the three jurisdictions that licence the refrigeration and air-conditioning occupations (New South Wales, Victoria and Queensland). Queensland expressed strong concern that the proposed scope of work does not include work relating to ducting, design and hydrocarbon refrigerants as is currently the case in that jurisdiction.

Ducting was initially considered as a separate licence category and as an inclusion in the regulated work for refrigeration and air-conditioning during the policy development process. Queensland strongly advocated the inclusion of ducting; however, both the interim advisory committee and the regulator working group decided not to include ducting as a licence category, or within the scope of work, as ducting was considered to be an integral part of building work as well as the work of sheet metal workers, rather than specifically refrigeration and air-conditioning or plumbing work. This work may be discussed when work on the building occupations is undertaken. Work associated with other types of ducting, such as flexible ducting, rigid polyurethane foam panels, fibreglass duct board and fabric ducting, is not licensed in any jurisdiction. The interim advisory committee and regulator working group decided that the responsibility for the risks associated with ducting work for refrigeration and air-conditioning systems would lie with the contractor in charge of the job. It was recognised that a number of trades are often involved in installing and maintaining refrigeration and air-conditioning systems and for that reason, the contractor was responsible for ensuring that a person or business entity takes responsibility for technically competent supervisors being employed or subcontracted to do the work and that the work is completed to an appropriate standard.

Design was initially included as part of the scope of work for the refrigeration and air-conditioning licence; however, the interim advisory committee considered that the design of a refrigeration and air-conditioning system was not in the exclusive purview of a refrigeration and air-conditioning licensee. A number of other professions may be contracted to undertake design work associated with such systems, which would arguably be the case when designing a new system. All other jurisdictions, with the exception of Queensland, have taken the approach of excluding design work in their descriptors. Queensland makes provision for the design and preparation of plans and specifications if they are for the licensee's personal use or for use in building work to be performed by the licensee personally. No evidence was provided of any risks associated with design that are not already covered by general consumer law, and it was agreed both by the interim advisory committee and the regulator working group that it was unnecessary to include design in the scope of work.

Mechanical Services: In Victoria, the current regulated work for a mechanical services plumber covers:

the construction, installation, replacement, repair, alteration, maintenance, testing or commissioning of a mechanical heating, cooling or ventilation system in a building, which is associated with the heating, cooling or ventilation of that building and <u>includes any single head split system</u>.

This differs markedly from the proposed scope of work for mechanical services plumbing under national licensing, where work on single split systems is not included. Mechanical services plumbing is considered as a plumbing licence only. Further information can be found in the Plumbing and Gasfitting Consultation RIS. As shown above, work on a heat pump and split systems installation is a licence category in its own right. In addition, undertaking work on heat pumps and split system installations, in most cases, also requires the holding of a Commonwealth Arctick licence because handling fluorocarbons (ozone-depleting) refrigerants may be involved.

The current qualifications for a mechanical services plumber (as required by Victoria) are not a recognised pathway to obtain a Commonwealth Arctick licence. A mechanical services plumber would need to obtain further qualifications (either a MEM 20105 Certificate II in Engineering or UEE20111 Certificate II in Air-conditioning Split Systems) as required by the Australian Refrigeration Council before the Commonwealth Arctick licence could be issued. A process of recognise prior learning may also need to be undertaken to obtain the Arctick licence. Victoria currently issues a refrigerated air-conditioning endorsement on a mechanical services plumber's licence. The qualifications required to obtain this endorsement would enable the licensee to obtain the Arctick licence. This could be considered to be a duplication in regulation, which imposes extra burden and cost on licensees.

Question: Do the proposed scopes of regulated work correspond to the actual work of licensees in each of the licence categories:

- i. refrigeration and air-conditioning licence
- ii. restricted refrigeration and air-conditioning (heat pump and split system installation) licence
- iii. refrigeration and air-conditioning contractor licence
- iv. restricted refrigeration and air-conditioning (heat pump and split system installation) contractor licence
- v. provisional refrigeration and air-conditioning

If no to any of the above please specify.

3.5.5 The Commonwealth Arctick licence

The regulated work for the proposed restricted refrigeration and air-conditioning (heat pump and split systems installation) licence category is closely aligned with the Commonwealth Arctick restricted split systems refrigerant handling licence.

As previously mentioned, a refrigeration and air-conditioning licensee is currently required to hold the Commonwealth Arctick licence if working with fluorocarbon refrigerants. This requirement will not change under national licensing.

Table 3.3 shows the Commonwealth Arctick categories of licence and regulated work for those working with refrigerants.

Table 3.3: Commonwealth Arctick categories of licence and regulated work for the refrigeration and air-conditioning occupations

Licence	Regulated work
Full refrigeration and air- conditioning	To handle a refrigerant for any work in the refrigeration and air-conditioning industry, other than the automotive industry
Restricted heat pump (split system) installation and decommissioning licence	To handle a refrigerant for the installation and decommissioning of any of the following: a single-head split system air conditioner of less than 18kW a 2-part hot water heat pump of less than 18kW a 2-part swimming pool heat pump of less than 18kW
Restricted domestic refrigeration and air-conditioning appliance	To handle a refrigerant for either or both of the following: any work on domestic refrigeration or air-conditioning equipment any work on commercial stand-alone refrigeration equipment

Although the scope of regulated work for the Commonwealth Arctick licence centres on the handling of refrigerants and thus differs from the proposed regulated work under national licensing, the Commonwealth Arctick licence covers all aspects of installation and maintenance that would be considered regulated work under national licensing. It is an offence under section 111 of the Ozone Protection and Synthetic Greenhouse Gas Regulations 1995 to work on refrigeration and airconditioning equipment, including 'manufacturing, installing, commissioning, servicing or maintaining refrigeration and air-conditioning equipment, irrespective of whether or not refrigerant is present' and 'decommissioning or disposing of refrigeration and air-conditioning equipment where refrigerant is present' without holding the relevant Commonwealth Arctick licence.

3.5.6 Rationale for the proposed categories

A range of options for licence categories were explored. The rationale for these separate categories was premised on the need to ensure flexibility for individuals and business in the range of skills held, and to avoid unnecessary training costs for licensees. This is particularly relevant for larger jurisdictions, which tend to have a higher number of specialist operators. For example, requiring a holder of a split systems and heat pumps licence to hold a full licence would increase the qualification requirements, as a high proportion of this type of work is currently undertaken by tradespeople who would only install heat pumps or split systems.

3.5.6.1 Contractor (business) licences

Contractor (business) licences are proposed for all categories except provisional licences. Contractor (business) licences allow an individual, persons in a partnership, or a corporation (body corporate) to contract with the public for the proposed regulated work, and applicants would need to meet relevant personal and financial probity requirements.

Table 3.4 shows the proposed categories of licence and regulated work for contractors.

Table 3.4: Proposed licence categories and regulated work for refrigeration and air-conditioning contractors

Business licence category	Proposed regulated work
Refrigeration and air-conditioning contractor licence	Enter into contracts to carry out refrigeration and air-conditioning work

Restricted refrigeration and air- conditioning contractor's (heat pump and	Enter into contracts to carry out restricted refrigeration and air- conditioning (heat pump and split systems installation) work
split systems installation) licence	
	· ·

A contractor (business) licence would be linked to the regulated scope of work, and a technical nominee (discussed in 3.5.9) would be appointed when a licence is issued to a corporation, an individual or persons in partnership where at least one partner must hold an occupational licence to do the work or hold a contractor licence with a nominee.

A generic contractor licence, which would allow a business person to contract for any occupation provided they had the relevant nominee, was discussed but not supported, as it was agreed that compliance activity required a link to a particular scope of regulated work.

3.5.6.2 Provisional licences

A provisional licence would authorise a licence holder to perform the regulated work for the category of licence under supervision only. This licence would only be issued to applicants who were trained overseas who have obtained a prescribed offshore technical skills record. Provisional licences would allow the holder to commence work pending the completion of required training and would be time limited and restricted to a maximum of two licence periods for a particular category.

As part of the COAG 2006 initiative to reduce skills shortages, the states and territories agreed to issue provisional licences to assist overseas applicants who held a certain level of competence to commence work in Australia pending training in local requirements. The issuing of these licences was based on the development of a process and standard for assessing the qualifications of overseas licence applicants, prior to their immigration to Australia. The states and territories agreed to issue a provisional licence for those applicants who have met the required standard, with the condition that they would work under supervision, and that the Australia-specific training would be completed within a specified period.

During the policy development process, members of the interim advisory committee expressed the view that there was no need for provisional licences because the risks are addressed by the Commonwealth's Arctick licence. However, the steering committee proposed that, to provide consistency in approach across the trade occupations, the licensing regime for the refrigeration and air-conditioning occupations should include provisional licences to deal with both offshore- and onshore-assessed migrants while they complete training in Australia-specific requirements and standards necessary to be granted a qualification.

It has therefore been proposed that provisional licences should be issued to offshore and onshore migrant applicants with the same qualification requirements (and gap training) applying to both offshore- and onshore-assessed applicants. A provisional licensee must work under the supervision of a qualified person while they gain the qualifications necessary for obtaining the relevant licence.

It is proposed that a provisional licence would be offered only for the full licence category of the refrigeration and air-conditioning licence.

Table 3.5 shows the proposed categories of licence and regulated work for provisional licences.

Table 3.5: Proposed licence categories and regulated work for provisional licences

Provisional licence category	Proposed regulated work
Provisional refrigeration and air- conditioning licence	Perform refrigeration and air-conditioning work carried out under the supervision of a person who is the holder of a refrigeration and air-conditioning licence

A provisional licence is not proposed for the following:

- apprentices and trainees, since the work undertaken is under the supervision of an employer, who is accountable for the work
- refrigeration and air-conditioning restricted to heat pump and split systems installation.

3.5.7 National licensing across Australia

Table 3.6 illustrates where national licensing, under national licensing model A, would occur for the refrigeration and air-conditioning licence categories across the jurisdictions. It should be noted that this does not differ significantly from the current licensing arrangements, as under national licensing, jurisdictions that do not currently license a particular category of an occupational area would not be required to issue licences for that category; that is, the jurisdiction could choose for that occupational category to remain unlicensed in that jurisdiction. Where part of the scope of the work is licensed in some way, however, a jurisdiction would be required to either pick up the category or deregulate it. For example, Victoria issues a refrigerated air-conditioning licence as an endorsement on a mechanical services plumbing licence. Victoria would therefore issue a refrigeration and air-conditioning licence in its own right under national licensing with no requirement to hold a mechanical services plumber licence. Victoria would also be required to licence contractors. The current licence categories offered by each jurisdiction are shown in Table 2.1 in Chapter 2.

Table 3.6: Proposed national licence categories across jurisdictions

Proposed national licensing	NSW	Vic	Qld	SA	WA	Tas	ACT	NT
Full licence								
Refrigeration and air- conditioning	✓	✓	✓					
Refrigeration and air- conditioning restricted to heat pump and split systems installation	~	✓	✓					
Contractor licence								
Refrigeration and air- conditioning contractor licence	✓	✓	✓					
Refrigeration and air- conditioning restricted to heat pump and split systems installation	1	1	1					
Provisional licence								
Refrigeration and air- conditioning	✓	√	✓					

Commonwealth licence (compulsory requirement for those working with ozone depleting refrigerants)								
Commonwealth Arctick licence	✓	✓	✓	✓	✓	✓	✓	1

 $Note: Shaded \ area \ denotes \ that \ national \ licensing \ will \ occur \ in \ that \ jurisdiction \ for \ the \ occupation.$

A summary of the key differences between existing jurisdictional licensing arrangements and national licensing can be found in Attachment B.

^{✓:} denotes that national licensing will occur in that jurisdiction for the occupation

In addition to the national refrigeration and air-conditioning licence the following restricted licences would be required should a licence holder choose to undertake regulated plumbing or electrical work:

- a restricted electrical licence to disconnect and reconnect air-conditioning and refrigeration
 equipment that is hard wired to an electrical system in order to undertake installation and
 repairs
- a restricted plumber (disconnect/reconnect) licence to disconnect and reconnect refrigeration
 and air-conditioning equipment that is connected to a water supply (a requirement for all
 options except national licensing model A).

A restricted plumber (disconnect/reconnect) licence is proposed in the Plumbing and gasfitting occupations RIS, which would have a narrow scope of regulated work that relates only to disconnecting, removing and replacing a residential hot water heater, including connecting or replacing like for like. However, an alternative, broader restricted plumber (disconnect/reconnect) licence has also been proposed that would (among other things) authorise any disconnection and reconnection of refrigeration and air-conditioning equipment from a water supply (see the Plumbing and gasfitting RIS). It should be noted that, as proposed under no licensing (except for the Commonwealth Arctick licence) and national licensing model B, if there is no refrigeration and air-conditioning occupational licence and no broader restricted plumber (disconnect/reconnect) licence — a full national plumbing licence would be required to undertake this work.

A Commonwealth Arctick licence will be required to cover the work with fluorocarbon refrigerants.

3.5.8 Endorsements

In addition to the broad categories of work outlined above, a need was identified for endorsements that will allow a person to take on an additional scope of work. Endorsements are dependent on a person holding an existing licence, and they are not intended as a stand-alone authorisation.

Rationale

During the policy process an endorsement for working with hydrocarbon refrigerants was proposed. The majority of the Interim Advisory Committee decided that the regulation of these natural refrigerants occurs through other legislative means, such as gas, dangerous goods and occupational health and safety legislation, and that there was no need to duplicate regulation. It was also decided that, although there has been some evidence that there is a risk of accidents occurring while using hydrocarbon refrigerants, there appeared to be no real evidence of any market failure in any jurisdiction that would require such an endorsement for the refrigeration and air-conditioning occupations. Therefore, hydrocarbons were not included under the list of proposed prescribed refrigerants as mentioned in 3.5.4.

Queensland strongly supports the inclusion of an endorsement under national licensing, 'to carry out work involving hydrocarbon gases' (not covered by the Commonwealth Arctick licence), which would require the completion of the following competencies, as currently applies in Queensland:

- UEENEEJ074A safety awareness and legal requirements for hydrocarbon refrigerants
- UEENEEJ075A service and repair of self-contained hydrocarbon refrigeration and airconditioning systems)
- UEENEEJ076A Install and commission hydrocarbon refrigeration systems, major components and associated equipment.

These are the same competencies that the ElectroComms and Energy Utilities Industry Skills Council are exploring in a project funded by the Department of Education, Employment and Workplace

Relations called the Development of Natural Refrigerant Training Resources to Up-skill Refrigeration and Air-conditioning Workers, as discussed in more detail in 3.5.8.1.

Queensland is the only jurisdiction to licence the handling of hydrocarbon refrigerants. It considers hydrocarbon refrigerants as a high-risk because these refrigerants are highly flammable and potentially explosive, and the misuse of hydrocarbon refrigerants has caused injuries to workers and damage to property in the past. Consequently, a gas work licence (hydrocarbon refrigerants) is required for a person who installs, commissions and services domestic and commercial refrigeration units along with split system and other air-conditioners in that jurisdiction. Applicants are considered on an individual basis and must hold a Commonwealth Arctick licence, along with relevant refrigeration competencies, such as Certificate III Refrigeration Mechanic. For air conditioning, a Certificate II in Split Systems and Air-conditioning may be acceptable. To date, only 25 gas work licence (hydrocarbon refrigerants) have been issued in Queensland as it is a recently introduced licence in what Queensland view as an emerging industry.

Other jurisdictions do not differentiate hydrocarbons from other refrigerants, and instead regulate it as part of the work of the refrigeration and air-conditioning licence or under other legislation, such as dangerous goods, occupational health and safety or environmental (note: this will not change under national licensing). For example, in New South Wales, the work undertaken by licensed refrigeration mechanics includes natural refrigerants as shown:

" required to comply with the requirements of Australian/New Zealand Standard AS/NZS 1677:1998, *Refrigerating Systems*" which includes natural refrigerants such as hydrocarbons, ammonia and water."

Therefore, the interim advisory committee agreed that there was no need to further duplicate regulation by proposing an endorsement for hydrocarbons.

Queensland introduced the gas work licence (hydrocarbon refrigerants) to address a perceived gap in the existing regulatory framework for hydrocarbons. It was not intended to duplicate existing regulatory requirements in that jurisdiction.

Queensland proposes that if the units mentioned above are included in the Certificate III in Air-conditioning and Refrigeration, individuals who have completed these units will not need to obtain the additional proposed endorsement and the proposed endorsement could be phased out.

3.5.8.1 Background on refrigerant gases – hydrocarbons

Much of the refrigeration and air-conditioning equipment in Australia uses fluorocarbon refrigerants to facilitate the heat transfer process. Fluorocarbon refrigerants, which are currently being phased out, are synthetic chemicals used in a cooling mechanism, such as an air conditioner or refrigerator, as the heat carrier that changes from gas to liquid and then back to gas in the refrigeration cycle

For this reason, alternatives to these chemicals, so called 'natural' refrigerants because they are substances that occur in nature, are being introduced. These natural substances include ammonia, carbon dioxide and hydrocarbons, and they have been used as refrigerants in Australia and internationally for many years. Hydrocarbon gases have been used for years as an automotive fuel, cooking gas and propellant. A hydrocarbon is a compound of hydrogen and carbon, which are the chief components of petroleum and natural gas. To address the risks of using and working with these natural refrigerants, specific Australian standards, workplace occupational health and safety regulations and guidelines have been developed to cover the safety issues.

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¹⁵ Clause 11(3)(b) of the *Home Building Regulation 2004*

Hydrocarbons are among the most climate-friendly and cost-efficient refrigerants for heating, cooling and freezing. The following hydrocarbons are used as refrigerants in cooling and heating applications:

- R170 ETHANE C₂H₆
- R290 PROPANE (Dimethylmethane) C₃H₈
- R600 BUTANE (N-Butane, Butane) C₄H₁₀
- R600a ISOBUTANE (2-Methylpropane) C₄H₁₀
- R1270 PROPYLENE (Propene) C₃H₆
- R1150 ETHYLENE C₂H₄

The most commonly used hydrocarbon refrigerants are propane (mainly in commercial and industrial freezers, air-conditioning and heat pumps), and isobutane (in domestic refrigerators and freezers). While there is evidence of accidents and injuries occurring while using hydrocarbons, there appears to be no widespread problem requiring the specific licensing of hydrocarbons in any other jurisdiction other than Queensland. Jurisdictions currently regulate hydrocarbons under existing licensing schemes, for example, as part of gasfitting provisions. In New South Wales, refrigeration and air-conditioning licensees can undertake work with hydrocarbons and other natural refrigerants without further training or an extra licence. The use of natural refrigerants, including hydrocarbons, is also covered by other regulation, such as health, dangerous goods or environmental legislation.

In Queensland, licensing is only required for flammable gases, known as dangerous goods classification, Class 2.1 gases (that include liquid petroleum gas, liquefied natural gas, hydrogen, acetylene and hydrocarbons). These flammable gases can ignite in air on contact with a source of ignition and may be lighter or heavier than air. Heavier-than-air gases can collect in low-lying areas such as pits, depressions and drains, causing a fire and explosion hazard. Queensland has not undertaken to licence other lower risk natural refrigerants such as ammonia or carbon dioxide. However, these substances continue to be regulated under relevant occupational health and safety and dangerous goods legislation. Information of the risks associated with hydrocarbon refrigerants can be found in Attachment E.

The ElectroComms and Energy Utilities Industry Skills Council is the Commonwealth's declared Industry Skills Council for the ElectroComms and Energy Utilities industries and is also the body responsible for developing and maintaining the national qualifications within the national training packages under its coverage. These include the Electrotechnology, Gas, Electricity Supply Industry – Transmission, Distribution and Rail and the Electricity Supply Industry – Generation Training Packages. The industry skills council is currently undertaking a project funded by the Department of Education, Employment and Workplace Relations called the Development of Natural Refrigerant Training Resources to Up-skill Refrigeration and Air-conditioning Workers. This project aims to develop learning and assessment resources and to deliver train-the-trainer program for the units included in the UEE07 and UEE11 Training Packages that relate to working with hydrocarbons and other natural refrigerants (such as ammonia and carbon dioxide). This project is due for completion by July or August 2012.

The main objective of this project is to provide gap training for those working in the refrigeration and air-conditioning occupations to ensure that workers are trained in the safe handling of natural refrigerants. These units, the same as those required by the Queensland gas regulator to obtain the gas work licence (hydrocarbon refrigerants), are:

- UEENEEJ074A Safety awareness and legal requirements for hydrocarbon refrigerants
- UEENEEJ075A Service and repair of self-contained hydrocarbon refrigeration and airconditioning systems

• UEENEEJ076A – Install and commission hydrocarbon refrigeration systems, major components and associated equipment.

While these are currently elective units, it is expected that these units will become part of the compulsory, or core units, within the UEE32211 Certificate III in Air-conditioning and Refrigeration qualification in the future.

Victoria issues registration and licensing in a specialised class of plumbing work, 'refrigerated air-conditioning'. The treatment of specialised classes of work in the Victorian licensing scheme is approximate to issuing an endorsement. To gain registration or licensing in a specialised class of work, the applicant must already hold registration or a licence in a prescribed, related class of work (among other requirements). The relevant requirement for refrigerated air-conditioning work is registration or licensing in mechanical services work. Victoria also issues a number of restricted forms of registration and licence in these two classes that authorise the holder to perform a much smaller subset of the scope of work of the full class. The qualifications required to obtain the endorsement are the same as that proposed for licensing of refrigeration and air-conditioning work and refrigeration and air-conditioning restricted to heat pumps and split systems installation under national licensing. Under national licensing a person could be issued with a licence in both or either category without the requirement to hold an underlying licence.

Question: Under national licensing model A, a licence will be required for work in relation to systems that use a 'prescribed substance' as a refrigerant.

Do you agree that each of the following refrigerants should be included as a prescribed substance under national licensing?

- i. Ammonia
- ii. Carbon dioxide
- iii. Chlorofluorocarbon
- iv. Halon
- v. Hydrochlorofluorocarbon
- vi. Hydrofluorocarbon
- vii. Perfluorocarbon
- viii. Water used in an evaporative cooling system

Question: Under the national licensing proposals, no endorsements are currently proposed for the refrigeration and air-conditioning licence categories.

However further to the previous question, do you consider that refrigeration and air-conditioning work involving hydrocarbons should:

- i. Be a prescribed substance for the national refrigeration and air-conditioning licence
- ii. Require an endorsement on the national refrigeration and air-conditioning licence
- iii. Not require a licence
- iv. None of the above

3.5.9 Nominees

The National Law provides that when a body corporate, a person in their capacity as a member of a partnership, or an individual who does not hold the relevant technical skills applies for a contractor (business) licence, they will be required to nominate a nominee. The nominee will be an appropriately skilled individual licensee who has the technical skills to undertake the work. This requirement addresses the issue of a business entity, in itself, being unable to possess skills and expertise. The proposal is that a nominee should:

- be a director or an employee who holds an active work licence in the same category as the contractor licence
- agree to hold the responsibility of nominee (as set out in the relevant jurisdictional conduct legislation).

It is proposed that a contractor can only contract for the regulated work that is applicable to the technical skills of the licensed nominee, as shown in Table 3.7.

Table 3.7: Contractor (business) licences and the applicable technical nominee

Contractor (business) licence	Technical nominee
Refrigeration and air-conditioning contractor licence	Refrigeration and air-conditioning licence
Restricted refrigeration and air-conditioning (heat pump and split systems installation) contractor licence	Refrigeration and air-conditioning licence or Restricted refrigeration and air-conditioning (heat pump and split systems installation) licence

Rationale

There was substantial discussion between jurisdictions on whether the role of the nominee should be set out in legislation and the extent to which a nominee should be responsible for the supervision of other staff carrying out the licensed work to an appropriate standard. As there are substantial differences between jurisdictions on the current role of nominees, it was agreed that this role should not be defined in the national licensing legislation or regulations, but will continue to be set under the separate state and territory legislation relating to the conduct of licensees and businesses. Nominees will not, therefore, be subject to additional probity requirements beyond those necessary for them to obtain a licence.

A body corporate may choose to have more than one nominee. Under amendments proposed to the National Law, a business requiring a nominee will be required to have a nominee at all times to undertake regulated work and will be required to notify the licensing authority if the business no longer has a nominee. In situations where the nominee dies, resigns as the nominee or is no longer eligible to be the nominee, the licensee must notify the licensing authority in writing, as soon as practicable but not later than 14 days of the situation occurring. The licensing authority would have the discretion to authorise a licensed contractor to operate for a set period with an interim nominee under prescribed conditions.

It is considered that the nominee should be either a director or an employee of a company (or a partnership or an individual operating as a sole trader), in order to establish a link between the nominee and the business. An interim nominee must hold a licence in the relevant category but does not have to be an employee or a director of the business. A nominee must consent to undertake the role to prevent nominations without consent.

Question: Do you agree the requirements proposed under national licensing for the holder of a contractor (business) licence to appoint a nominee are appropriate?

3.5.10 Exemptions

The National Law makes it an offence for an individual or a business entity to undertake regulated work unless that individual or business entity holds a licence or is exempt.

Under amendments proposed to the National Law, a *person* must not carry out regulated work unless licensed or exempt (as per paragraphs (b) and (c) below). In addition, a licensee must not engage another person to carry out regulated work unless they are exempt, noting that regulated work includes contracting for regulated work. The proposal is that an individual:

- a) holds a licence to carry out or contract for the regulated work; or
- b) is exempt under the national law from the requirement to hold a prescribed licence to carry out the regulated work (eg. a building licence); or
- c) is exempted by the licensing authority, in accordance with the national law, from the requirement to hold a licence to carry out the regulated work.

Table 3.8 shows the classes of persons identified by the policy development process who should be exempt from the requirement to hold a licence to carry out regulated work. These exemptions apply to all the national licensing models.

Table 3.8: Proposed exemptions

Policy description of proposed exemption	Exempt from licence category
Regulated work carried out by an individual under a contract of employment and training, or as a student, for the purpose of gaining qualifications necessary for obtaining a licence, under the supervision of an individual who is licensed to carry out the regulated work	All except a contractor
A person who is the holder of a prescribed licence and who, as part of carrying on business under that licence, contracts with another person to provide regulated work whose licence authorises the holder of the licence to carry out the regulated work	All contractors

Rationale

It was considered that exemptions should only be considered when the benefit of allowing the work to be done by unlicensed persons outweighs the costs associated with consumer risk. This differs from the current approach, in which some jurisdictional licensing schemes exempt work related to self-contained single phase plug-in domestic refrigeration units from the regulated work. In these situations, it was considered that the level of risk associated with this work is minimal, while the cost of requiring a licensed person to be contracted to do the work may be significant. Further development of regulated work during the legislative drafting process has rendered some of the originally proposed exemptions unnecessary.

During the policy development process, an exemption was proposed for the holding of a contractor licence in relation to work done for an immediate family member where no remuneration was involved. This has not been included, as advice was received that the exemption was not required on the basis that no contract would exist, and the work would be carried out by a licensed person in all instances. Similarly, an exemption was proposed for teachers; however, it was noted that those overseeing regulated work being undertaken on site would require a licence, while those teaching at a training institution would not be deemed to carrying out regulated work, and therefore an exemption was unnecessary.

The original wording proposed for exemption used the term builder's licence and was included to take into account situations where refrigeration and air-conditioning licensee was working for a building contractor. When the legislation was drafted, however, this wording presented difficulties

because it would necessarily pre-empt the national licensing work being undertaken on the building occupations.

Question: Do you agree the exemption regime proposed under national licensing is appropriate?

3.5.11 Non-skills-based eligibility requirements

Regulatory regimes develop criteria to determine an applicant's or licensee's suitability to hold a licence in specific occupations. These criteria are designed to minimise risks associated with matters such as incompetent work and public and personal safety, and risks to property and money held in trust. Risks associated with refrigeration and air-conditioning work are provided in Attachment E.

The issuing or renewal of a licence is premised on reducing these risks by requiring the applicant to meet specific eligibility requirements. For example, an applicant or licensee may be assessed against personal or financial probity conditions, skills (qualification) and experience requirements, age or health and fitness requirements or requirements to hold insurance. The National Law provides for the non-skills-based eligibility and renewal criteria that include personal and financial probity requirements.

3.5.11.1 Relevant persons

The National Law, and the Amendment Bill for the National Law, provides for the identification of a relevant person(s) for a body corporate or a person who is a member of a partnership and that they will be subject to personal and financial probity checks. This aims to prevent a person from hiding behind a corporate structure, for example, where an individual has been banned from undertaking work in a licensed occupation and endeavours to use a corporate structure as a front to continue operating in the industry.

It is proposed that relevant persons for the refrigeration and air-conditioning occupations be all directors of a body corporate (as defined in the *Corporations Act 2001 (Cwlth)*), persons in a partnership, including any other individual who is in effective control of the business. A person in effective control of the business is someone who is regularly or usually in charge of the business, or in a position to control or influence how the business is managed.

3.5.11.2 Proposed personal probity eligibility requirements

The National Law, and the Amendment Bill for the National Law, provides for the personal probity requirements that may apply to an individual, a nominee or other relevant person for a body corporate or a partnership. The legislation may provide for:

- matters relating to the criminal history of the person
 - **Note:** Matters relating to the criminal history of persons will be subject to the legislation of participating jurisdictions that prohibits, or does not require, the disclosure of spent convictions.
- matters relating to the conduct of persons in carrying out business, including, for example, matters relating to duties as a director of a corporation or the imposition of civil penalties or orders in relation to carrying out business.

Guidelines would need to be developed to ensure consistency in application of probity requirements. Personal probity requirements will only apply to refrigeration and air-conditioning contractors (business) licences under national licensing and are shown in Table 3.9. Personal probity requirements will apply to both proposed national licensing options.

Table 3.9: Personal probity requirements

Type of applicant	Personal probity requirement
Individual Person acting as a member of a partnership Relevant person for a body corporate or partnership Body corporate	Matters relating to the criminal history of a person, who is an applicant, licensee, nominee or relevant person, i.e.: offences relating to dishonesty offences relating to misleading and deceptive conduct offences relating to a person's obligations under a law relating to occupational health and safety. Matters relating to business conduct. This means any action taken against a person under the <i>Corporations Act 2001</i> in relation to the following: failure to exercise powers with care and diligence failure to exercise powers in good faith and for a proper purpose misuse of position to gain advantage or cause detriment to a company misuse of information obtained by virtue of the person's position to gain advantage or to cause detriment to a company breach of the procedures under that Act when giving a financial benefit to a related party of a company failure to comply with financial reporting requirements under that Act

Rationale

Current personal probity requirements can include checks for disqualified licences and criminal history checks. The application of these checks varies across jurisdictions. Under national licensing, personal probity requirements matters relating to the criminal history of the person will apply to all contractor applicants and relevant persons. Personal probity checks can only be carried out to the extent there is a connection between the criminal history of the person and the inherent requirements of the occupation for which the person is an applicant.

This connectivity test was fundamental in the policy development process, which focused on ensuring that licence requirements were directly relevant to risks to public or consumer safety for the occupation and did not capture risks that were unrelated to the carrying out of the occupation.

In the case of refrigeration and air-conditioning work, the main risks identified were those associated with inadequate work processes. Accordingly, it was considered that criminal offences (such as dishonesty offences) should not be considered as part of the personal probity eligibility criteria. Furthermore, it was considered offences against the person, such as violence, did not have a direct connection to the inherent requirements of the occupation. Criminal history checks are not currently required in the majority of states for refrigeration and air-conditioning work, and these states have not indicated any increased consumer safety impact.

It was acknowledged that there could be a case for applying personal probity criteria in relation to the carrying out of a business and that this should be applied to contractors and relevant persons for a body corporate. In this regard, the proposed offences are based on dishonesty offences such as blackmail and extortion, theft, fraud and deceptive practices.

Some jurisdictions consider that additional safeguards are necessary and have supported prescribing additional matters relating to offences against the person that are not inherent in the requirements of the occupation. The rationale behind the proposal is that, in undertaking licensed work, licensees interact at some level with other persons, such as customers, employees, suppliers or other licensees. For example, real estate agents and sale representatives routinely enter customers'

premises for the purposes of assessing value, conducting open home inspections and undertaking property management. Refrigeration and air-conditioning workers will, in a wide range of the proposed licence categories, have access to private property and homes to undertake inspections, maintenance, repairs and installations. In some jurisdictions, existing licensing laws provide the regulator with discretion to exclude persons from the licensed occupation based on relevant criminal histories involving offences against the person.

It should be acknowledged, however, that legal case history indicates that refusal to grant a licence on such grounds may be overturned on appeal in the courts, precisely because of the lack of direct connection between the offence and the carrying out of the occupation. There are social justice factors to be considered where a person is prevented from earning a livelihood due to past behaviour for which a penalty has been paid.

Therefore, it is proposed that personal probity checks will not be applied to an individual licensee who is not contracting for refrigeration and air-conditioning work of any kind as this does not have a direct connection to the inherent requirements of the occupation.

Question: Do you agree the personal probity; including 'relevant person' requirements proposed under national licensing adequately address issues of consumer risk?

Question: Do you agree the nature of refrigeration and air-conditioning work does not warrant additional safeguards for considering serious criminal offences for personal probity requirements (as are currently in place in some jurisdictions)?

3.5.11.3 Proposed financial probity eligibility requirements

Financial probity eligibility requirements aim to ascertain whether the financial integrity of the applicant is such that the risk of consumers dealing with the licensed person is minimised. For example, one of the aims of the licensing of business entities (contractors) is to protect consumers from those who have been involved in the mismanagement of business. The financial probity requirements proposed for each type of applicant and licence category are shown in Table 3.10 and apply to all national licensing options.

Table 3.10: Financial probity requirements

Type of applicant	Category	Proposed financial probity requirement
Individual	Licensee	Failure to pay a penalty, fine or other amount ordered by a court or tribunal in relation to the occupation
Individual Person acting in their capacity as a member of a partnership	Contractor	A person who is bankrupt, insolvent, compounds with creditors, enters into a compromise or scheme of arrangement with creditors or otherwise applies to take the benefit of any law for the relief of bankrupt and insolvent debtors
Relevant person for a body corporate or partnership Body corporate		A person has within the last five years been a relevant person for a another person who, during that 5-year period was bankrupt, insolvent, compounded with creditors or otherwise applied to take the benefit of any law for the benefit of any law for the benefit of any law for the relief of bankruptcy or insolvent debtors
		A relevant person that is a body corporate or a member of a partnership, a relevant person for the body corporate or partnership is bankrupt, insolvent, compounds with creditors, enters into a compromise or scheme of arrangement with creditors or otherwise applies to take benefit of any law for the relief of bankrupt or insolvent debtors
		Failure to pay a penalty, fine or other amount ordered by a court or tribunal in relation to the occupation

Rationale

An approach to financial probity was recommended whereby to be eligible for a licence under national licensing the applicant must meet requirements that relate to the failure to pay fines, and an applicant for a contractor licence must also meet insolvency history requirements. As with personal probity, the regulator will have the authority to refuse the licence application if the set standards are not met.

Question: Do the proposed financial probity requirements proposed under national licensing adequately address consumer risk?

3.5.12 Skills-based eligibility requirements

The National Law specifies the qualifications, skills, knowledge and experience required for the issuing of a licence. The aim of eligibility requirements based on qualifications, skills and knowledge is to protect consumers from engaging licensees who may deliver substandard work due to failure to reach a minimum standard of competence. Key considerations in developing a proposal for skill based eligibility requirements are below:

Australia's national vocational education and training system should provide the foundation for
the requirements. The system comprises various elements that work together to ensure the
quality and integrity of training and assessment services of registered training organisations
across Australia. Nationally agreed training packages are part of the VET Quality Framework,
which includes the Australian Qualifications Framework and the Standards for Registered
Training Organisations. The system enables individuals to have national recognition of the
qualifications and statements of attainment achieved.

- On 1 July 2011 the Australian Skills Quality Authority became the national regulator for Australia's vocational education and training sector. The authority regulates courses and training providers to ensure that nationally approved quality standards are met.
- COAG agreed in February 2006 to a new national approach to apprenticeships, training and skills recognition which acknowledged that national training packages provide a nationally consistent base for the skills-related requirements of most of the licensed occupations covered by the national system.
- The objectives of the intergovernmental agreement and the National Law include facilitating a
 consistent skill base for licensed occupations by using national training packages and skill sets as
 the basis for the skills-related eligibility requirements for licensed occupations in the national
 licensing scheme.
- The National Law (section 3(b)) requires that 'licensing arrangements are effective and proportionate to ensure consumer protection and worker and public health and safety while ensuring economic efficiency and equity of access'. In other words, requirements for competence in particular aspects of refrigeration and air-conditioning work should relate strongly to the regulated work and reflect areas of identified risk to the public. Where possible, eligibility requirements should be set at qualification level, and the level of qualification should be commensurate with the skills required for the regulated scope of work. Where competency requirements are not neatly encapsulated in a qualification or where licensing involves a subset of scope of work of a category, specific units of competency may be identified as a skills set.

3.5.12.1 National licensing model A (preferred option)

Based on the licensing options identified in Section 3.5, Table 3.11 shows the skills-based eligibility requirements that have been proposed for the refrigeration and air-conditioning occupations under national licensing model A.

Table 3.11: Proposed entry-level qualifications for refrigeration and air-conditioning occupations

Licence category	Qualification
Refrigeration and air-	UEE07 Electrotechnology Training Package
conditioning licence	UEE32211 Certificate III in Air-conditioning and Refrigeration
	OR
	MEM05 Metal and Engineering Training Package
	MEM30205 Certificate III in Engineering – Mechanical Trade including the following units of competency:
	MEM05006C Perform brazing and/or silver soldering
	MEM09002B Interpret technical drawing
	MEM10002B Terminate and connect electrical wiring
	MEM10009B Install refrigeration and air-conditioning plant and equipment
	MEM10010B Install pipework and pipework assemblies
	MEM12002B Perform electrical/electronic measurement
	MEM12023A Perform engineering measurements
	MEM18001C Use hand tools
	MEM18002B Use power tools/hand held operations
	MEM18049C Disconnect/reconnect fixed wired equipment up to 1000 volts a.c./1500 volts d.c.
	MEM18055B Dismantle, replace and assemble engineering components
	MEM18086B Test, recover, evacuate and charge refrigeration systems

Licence category	Qualification			
	MEM18087B Service and repair domestic and light commercial refrigeration and airconditioning equipment			
	MEM18088B Maintain and repair commercial air-conditioning systems and components			
	MEM18092B Maintain and repair commercial and/or industrial refrigeration and/or air-conditioning controls			
	MEM18090B Maintain and repair industrial refrigeration systems and components			
	MEM18095A Maintain and repair cooling towers/evaporative condensers and associated equipment			
	MEM18096A Maintain, repair/replace and adjust refrigerant flow controls and associated equipment			
Restricted refrigeration and air-	MEM05 Metal and Engineering Training Package			
conditioning (heat pump and split systems installation) licence	MEM 20105 Certificate II in Engineering			
spire systems installation, licence	OR			
	UEE07 Electrotechnology Training Package			
	UEE20111 Certificate II in Split Air-conditioning and Heat Pump Systems			
Provisional refrigeration and air-	UEE07 Electrotechnology Training Package			
conditioning licence	An offshore technical skills record ^a assessed against			
	UEE32211 Certificate III in Air-conditioning and Refrigeration			
	OR			
	MEM05 – Metal and Engineering Training Package			
	An offshore technical skills record ^a assessed against			
	MEM30205 Certificate III in Engineering – Mechanical Trade			

a An offshore technical skills record is issued to overseas applicants who have been assessed as holding a certain level of competence to commence work in Australia pending training in local requirements. Migrants who have had their skills and qualifications assessed against the Australian standards would be entitled to hold to an entry-level provisional licence in that trade (subject to meeting any non-skills requirements). The offshore technical skills record would also detail the gap training the successful applicant will need to undertake when they get to Australia.

Commonwealth Arctick licence qualifications

The qualifications required to obtain the Commonwealth Arctick licences are shown in Table 3.12. The shaded qualifications are the same as those that are required to obtain the proposed national refrigeration and air-conditioning licence and the refrigeration and air-conditioning licence – restricted to heat pump and split systems installation.

Table 3.12: Commonwealth Arctick qualifications

Licence category	Qualification
Refrigeration and air-conditioning licence	Successful completion of an apprenticeship as a refrigeration
	mechanic, e.g. Proficiency Certificate; or
	Trade Recognition Certificate: Refrigeration Mechanic; or
	MEM30205 Certificate III in Engineering Mechanical Trade or
	MEM30298 Certificate III in Engineering – Trade (this is superseded by MEM30205 above); or
	UEE32211 Certificate III in Refrigeration and Air-conditioning; or
	UTE30999 Certificate III in Electrotechnology Refrigeration and Airconditioning (this is superseded by UEE32211 above); or
	Trade Certificate with a Trade Outcome of Refrigeration Mechanic
	and evidence of industry experience
Refrigeration and air-conditioning licence:	MEM20105 Certificate II in Engineering; or
restricted to heat pump and split systems installation	UEE20111 Certificate II in Split Air-conditioning and Heat Pump Systems; or
	40488SA Certificate II in Split System Air-conditioning (non-current status).
Restricted domestic refrigeration and air-	MEM20105 Certificate II in Engineering; or
conditioning appliance licence (2 years)	UEE21810 Certificate II in Appliance Servicing-Refrigerants; or
	UEE30510 Certificate III in Appliance Servicing (superseded by UEE321111 Certificate III in Appliance Service); or
	UEE30507 Certificate III in Appliance Servicing; or
	UEE21807 Certificate II in Appliance Servicing-Refrigerants; or
	UTE20599 Certificate II in Electrotechnology Servicing (superseded); or
	UTE20504 Certificate II in Electrotechnology Servicing

Rationale

During the policy development process, it was agreed that completion of an apprenticeship leading to a Certificate III qualification is generally considered to provide the levels of competency required to operate unsupervised. The interim advisory committee members noted the importance of ensuring that training is properly delivered and assessed and the role of the Australian Skills Quality Authority in ensuring that this occurs. Additional testing of applicants who have already been found to be competent against the units in the relevant training package represents duplication of effort by government and is inconsistent with COAG's position that 'regulators will recognise the VET qualification or statement of attainment as meeting all of the skill related eligibility requirements¹⁶ for gaining a licence in relevant regulated occupations'.

The qualifications for the restricted heat pump and split systems installation licence reflect the requirements for the Commonwealth restricted split systems refrigerant handling licence.

The Commonwealth Arctick licence covers only the licensing of those who handle fluorocarbons; nevertheless, the qualifications (shaded in grey are the current requirement; the unshaded

¹⁶ Skills-related eligibility requirements include those related to competency standards, qualifications and/or industry experience requirements.

qualifications are a previous requirement) needed to obtain the Arctick licences are exactly the same as those proposed for national licensing. Other qualifications can be accepted to obtain the Commonwealth Arctick licence, and these qualifications may differ from current jurisdictional requirements. It is a misconception sometimes held that holders of a Commonwealth Arctick licence do not have the same knowledge and skills as proposed licence holders under national licensing. While the scope of work of the Commonwealth Arctick licence appears narrower, the licence actually covers most aspects of the proposed national licensing scope of work (although it does not authorise restricted plumbing work). As mentioned previously, under section 111 of the Ozone Protection and Synthetic Greenhouse Gas Regulations 1995 (Cwlth), it is an offence to work on refrigeration and air-conditioning equipment, including 'manufacturing, installing, commissioning, servicing or maintaining refrigeration and air-conditioning equipment, irrespective of whether or not refrigerant is present' and 'decommissioning or disposing of refrigeration and air-conditioning equipment where refrigerant is present' without holding the relevant Arctick licence.

Currently in Victoria, the qualifications required for a mechanical services plumbing registration include a small number of units that are also required to obtain a qualification under national licensing for a refrigeration and air-conditioning licence. However, these units are not sufficient to obtain the qualifications for a national refrigeration and air-conditioning licence or a restricted refrigeration and air-conditioning (heat pumps and split systems installation) licence. Nor are they sufficient to obtain the Commonwealth Arctick licence by the Australian Refrigeration Council Ltd.

The current qualifications required by Victoria to obtain a mechanical services plumbing licence endorsed for the specialised class of refrigerated air conditioning are the completion of an apprenticeship in refrigeration and air conditioning and successful completion of a Certificate III course that includes the approved competency units for refrigerated air-conditioning work. This means, in effect, that an applicant would have completed two qualifications, a Certificate III in Mechanical Services Plumbing, and the required qualifications for the specialised class of refrigerated air conditioning. It has been confirmed by the Victorian regulator that the accepted Certificate III qualification includes UEE32211 Certificate III in Air-conditioning and Refrigeration and MEM30205 Certificate III in Engineering – Mechanical Trade.

Similarly, the qualifications that would be acceptable to obtain the mechanical services plumbing endorsement for split systems are the MEM20105 Certificate II in Engineering or UEE20111 Certificate II in Air-conditioning Split Systems.

The qualifications mentioned above are those proposed to obtain the refrigeration and air-conditioning licence and restricted refrigeration and air-conditioning (heat pumps and split systems installation) licence under national licensing. This further highlights the duplicative nature of regulation in some jurisdictions.

It should be noted that the duplicative practice whereby regulators test a person, who has already been assessed and deemed competent by a registered training organisation before issuing a licence will cease.

Question: Are the proposed entry level qualifications outlined in the RIS sufficient and appropriate for the proposed refrigeration and air-conditioning licence categories, scopes of regulated work and consumer protection outcomes.

- i. Refrigeration and air-conditioning licence
- ii. Restricted refrigeration and air-conditioning (heat pump and split system installations) licence
- iii. Provisional refrigeration and air-conditioning licence

3.5.12.2 Non-qualification requirement for a contractor licence

The majority of interim advisory committee members proposed that there should be no additional technical competencies required for the contractor (business) level of licensing. There were, however, divergent views on whether any additional business competencies should be required. Queensland strongly advocated the inclusion of specified business units for a contractor licence. However, the steering committee did not support this proposal and recommended that there be no qualification requirement for a contractor licence.

This means that for national licensing model B (partial regulation), which proposes licensing at contractor level only; there would be no qualification requirements to obtain the national contractor licence. Therefore, a person wishing to hold a contractor licence would only be required to meet the necessary non-skills based eligibility requirements to obtain a licence.

Rationale

Queensland currently requires four additional units of competency for contractors, relating to business skills. During the policy development process, analysis was conducted on the risks associated with the work being undertaken in the refrigeration and air-conditioning occupations. The analysis suggested that the risks associated with undertaking this work relate to safety rather than business management. Although Queensland strongly advocated that additional training for contractors should be required for consumer protection, little evidence has been provided to support any linkage between consumer protection and business efficiency for the trades.

Based on the scarcity of information substantiating the need for business skills for refrigeration air-conditioning contractors and the absence of any requirement proposed by the other trade interim advisory committees, there is a strong case for not specifying additional qualification requirements for refrigeration and air-conditioning occupational contractors.

Question: Under national licensing (models A and B), it is proposed that no skill based eligibility requirements will be applied to contractors, other than appointing a nominee who holds the relevant licence. Do you agree with this proposal?

3.5.13 Skills maintenance (continuing professional development)

Skills maintenance (or continuing professional development) aims to manage consumer risk by providing licensees, who have general competence, with the means for responding to changes in practice and legislation, and updates to standards and codes, to enrich their knowledge and skills and adopt new work practices.

During the policy development process, views on the need for skills maintenance as a licensing eligibility requirement, particularly for the renewal of licences, were divided, both at the interim advisory committee level and across the interim advisory committees for the various occupational groups. While there was strong support for the concept of skills maintenance, it was recognised that the training required is not always aimed at addressing consumer risk and in such instances it would be an additional unwarranted burden on all licensees. This view was supported by evidence of how such requirements had been applied over time in jurisdictions where skills maintenance is currently mandatory. It was also noted that there can be significant ongoing costs to both tradespeople and regulators if skills maintenance is compulsory.

As mentioned previously in this Consultation RIS, the regulation of the wider behaviours and standards to be met by licensees ('conduct requirements') following the attainment of a licence is not within the scope of this national licensing reform. Licensees will be responsible for ensuring that they are aware of any relevant changes to jurisdictional legislation or requirements.

3.6 Comparison of automatic mutual recognition and national licensing

3.6.1 Labour mobility

Automatic mutual recognition could achieve some of the same labour mobility benefits as national licensing, because it would enhance the ability for some labour to flow where refrigeration and airconditioning occupations are most needed and would reduce administrative and financial costs in the form of additional fees where licences are held across jurisdictions.

3.6.2 Licence categories and regulated work

While national licensing seeks to harmonise and reduce the number of categories, there is not necessarily the mechanism or compulsion under automatic mutual recognition to make such changes. Automatic mutual recognition retains individual jurisdictions' licensing frameworks, while national licensing would have a central licensing authority responsible for developing national licence policy and legislation.

3.6.3 Conduct and compliance

Regardless of what option is adopted, licensees choosing to work in other jurisdictions outside their primary jurisdiction would still need to comply with any relevant jurisdiction-specific conduct and compliance requirements that apply to the work they intend to perform.

3.6.4 Relevant legislation

Under the automatic mutual recognition model, regulators would be required to be conversant with multiple jurisdictional licensing requirements for a range of occupations. However, under national licensing, national legislation would apply to all jurisdictions that regulate a prescribed occupation.

3.6.5 Registers

Under automatic mutual recognition a limited central register of disciplinary actions could be established to enable jurisdictional regulators to be aware of any pending actions or disciplinary actions underway. Under this option, consumers would need to search the public register(s) from other jurisdictions to find information on a particular licensee. However, not all jurisdictions currently have a publicly accessible register. While such a database may be significantly less sophisticated than the proposed national licensing register, and would not deliver the same level of transparency for consumers of the services or for compliance purposes, comprehensive costings would be required before a full comparison of the registers could be made. Jurisdiction-based disciplinary systems may not easily interact with a central database of disciplinary actions. Without a public accessible national register, however, a disqualified or suspended licence would not be easily apparent to compliance officers or consumers.

The proposed national licensing model would have a national licensing register with a central database component that can only be accessed by the regulator. The national licensing register would be linked to all jurisdictional IT platforms and would be continually updated, enabling regulators to be better informed about the current status of licensees, including any disciplinary action. Consumers would be afforded a greater level of protection by being able to view a licensee's status through the public national licensing register component of the register.

3.6.6 Jurisdiction shopping

Under automatic mutual recognition, 'jurisdiction shopping' may become more common due to differences in licensing requirements, such as lower qualification criteria, easier application processes, etc. In addition, while jurisdictions will continue to set licence fees under the proposed national licensing model, under both options jurisdiction shopping could be negated by a legislative requirement for applicants or licensees to apply for or renew a licence in the jurisdiction in which they reside.

3.6.7 Conclusion

National licensing, while more costly to implement, due to the need to establish common legislation and processes to administer and enforce it (through creation of a national authority) would create greater certainty for industry, consumers and licensees as to what licence requirements are, and what work licensees are qualified to perform.

National licensing would avoid the potential risk under automatic mutual recognition that licensees would feel compelled to obtain multiple jurisdictional licences in order to meet consumer or employer preferences. There is also a risk under automatic mutual recognition that without a central coordinating body, gaining consensus on any harmonisation changes may be difficult and unravel over time.

A potential benefit of the automatic mutual recognition option is that it may be implemented more quickly, minimising the transition costs for some licences than under the national occupational licensing model. However, the speed of implementation would be strongly influenced by the extent to which harmonisation of skills and non-skills-based eligibility requirements are carried out. If harmonisation was agreed prioritisation could be given to applicable licence categories based on:

- the commonality of the licence category (or equivalent) across jurisdictions (e.g. plumber)
- the number of licences for the category (or equivalent) across Australia
- the prevalence of cross-jurisdictional work carried out by licensees of that category.

By focusing on a process that targets licensees that operate across multiple jurisdictions rather than harmonising licence categories, qualification and eligibility requirements for all licensees, of which the majority work in only one jurisdiction, an automatic mutual recognition approach is potentially a simpler, more targeted and cost-effective solution to overcome existing labour mobility barriers than national licensing. Compared to national licensing, it would require less significant legislative changes, the development of a more limited IT register of disciplinary actions on licensees, and a smaller range of administrative actions to implement, however, a central coordinating body would be required. Depending on the degree of future harmonisation efforts, these immediate cost savings may be eroded over time.

This option may have cost advantages over the national licensing model in the short term, in that it may:

- not place the transition costs on licensees that would arise under national licensing when
 licensees (and those who do not cross borders in particular) are required to understand new
 licensing requirements, or (potentially) pay increased fees to fund the scheme (where regulators
 are self-funded)
- avoid the need to (potentially) increase fees to fund a centralised licensing body in addition to
 maintaining jurisdictional regulators and regulatory regimes although some form of coordinating
 body would still be required.

The cost and benefits of automatic mutual recognition has yet to be fully costed. While the automatic mutual recognition model may deliver some benefits more cheaply over the short term

(although increased compliance costs to governments have yet to be quantified), there are additional the benefits from the proposed national licensing model that are likely to be realised over the longer term. Notwithstanding the cost—benefit analysis, there would appear to be overall long-term qualitative benefits in a single national system.

4 Impact analysis

This chapter provides supporting detail about the costs and benefits of the options being considered in this Consultation Regulation Impact Statement (RIS). The information is set out as follows:

- a detailed discussion of the impacts and results of the analysis, including sensitivity results and a summary of the costs and benefits by jurisdiction
- an explanation of the approach taken to the analysis, including the method and the specific calculations behind the analysis
- a detailed list of all of the inputs and assumptions underlying the analysis.

4.1 Discussion of the impacts and results

4.1.1 National licensing model A: full regulation

4.1.1.1 Transition and implementation costs of a national licensing system

Before the commencement of the proposed national licensing reform and across the first three years of the system's operation, several one-off costs would be incurred. For licensees, business and households, there is a time cost associated with understanding the new system of licensing. For governments, there are costs associated with setting up the National Occupational Licensing Authority, implementing the national licensing register and communicating the changes to licensees and the wider community (i.e. businesses and households).

Cost to refrigeration and air-conditioning licensees

Time for licensees to understand the proposed reforms

Under national licensing, licensees would need to understand the changes and how they are affected by them. Time costs would be incurred either by reading material, attending an information seminar or through some other means.

For indicative purposes, it is assumed that it would take each existing licensee 45 minutes to understand the changes. Feedback is sought on the soundness of this assumption. Based on the understanding that there are about 12,700 refrigeration and air-conditioning licensees across the jurisdictions, the estimated transition costs to industry would be about \$0.43 million. It is expected that this would be incurred throughout the year preceding the operation of national licensing (i.e. 2012–13). As at 1 July 2012, the 10-year net present value (NPV) of this cost is \$0.40 million. The distribution of these costs across jurisdictions is shown in Table 4.1.

Table 4.1: Cost to licensees from spending time understanding the proposed reforms

\$ million	NSW	Vic	Qld	National
Transition cost (undiscounted)	0.24	0.11	0.08	0.43
10-year NPV as at 1 July 2012	0.22	0.10	0.08	0.40

The estimate of 45 minutes takes into consideration the varying needs of licence holders when they transition to a national licence. Licence holders would not be required to change their licence before the expiration of their current licence. Therefore, the 45-minute estimate reflects the potential additional time *over and above* the normal requirements for licence renewal. For some licence holders, changes may be more complex and require more time; for others, changes would be

minimal and require less. The estimate in this Consultation RIS is intended to be a reasonable average of likely transition requirements, and will be tested further with industry in consultations.

For further information on the assumptions underlying these estimates, see 4.3.

Question: The RIS assumes that it will take 45 minutes for licence holders to understand any new obligations, changes to licence requirements or scopes of work under national licensing. Do you agree with this assumption?

Cost to business and households

Business value-add lost

Given that licensees must spend additional time to transition to national licensing, they will essentially be less efficient as a result. There is an expectation that if the reforms lead to a one-off efficiency loss for refrigeration and air-conditioning services, business too will experience a one-off reduction in their profits, or their value-add from refrigeration and air-conditioning services, as less will be generated from a less efficient labour force.

For the purpose of this Consultation RIS, the costs to the business and household buying refrigeration and air-conditioning services are assumed to be one-third of the direct costs to labour. This estimate is based on research conducted by the Australian Bureau of Statistics on income shares for factors of production (labour and capital), which estimates the profit share of total factor income (essentially the return to capital of total income in the economy). This measure is the best available indicator of the extent to which income is returned to capital (as opposed to being returned to labour in the form of wages). Feedback is sought on whether this is an appropriate assumption so that a more informed assumption can be used in the Decision RIS.

It is estimated that there would be a transition cost to business (and households) of \$0.15 million in terms of business value-add lost, or \$0.13 million NPV over 10 years as at 1 July 2012. The distribution of these costs across jurisdictions is shown in Table 4.2.

Table 4.2: Business value-add lost as a result of transition costs

\$ million	NSW	Vic	Qld	National
Transition cost (undiscounted)	0.08	0.04	0.03	0.15
10-year NPV as at 1 July 2012	0.07	0.03	0.03	0.13

Costs to government

National Occupational Licensing Authority – set-up costs

A key element of the national licensing model is the establishment of a National Occupational Licensing Authority. The role of the licensing authority would be to develop consistent national policy for obtaining a licence and to administer the national system. In doing this, it must consult with stakeholders in relevant occupational areas and establish occupational licence advisory committees. During the implementation phase, the licensing authority would regularly consult with a jurisdictional reference group on issues that arise regarding the implementation of the national system and on progress with the development of licence policy.

In its first five years of operation, the licensing authority would have an important role in the following areas:

¹⁷ Australian Bureau of Statistics 2011, Australian System of National Accounts 2010-11, cat. no. 5204.0, ABS, Canberra.

- supporting the implementation of national licensing for the first stage occupations (electrical, plumbing and gasfitting, property, and refrigeration and air conditioning mechanics)
- supporting the implementation of second-stage occupations, including building occupations
- supporting further reforms related to occupational licensing.

Based on the above scope, it is clear that only a proportion of licensing authority resources would be required to support the implementation and future policy direction of national licensing for refrigeration and air-conditioning occupations. Costs for this Consultation RIS, therefore, reflect this fact, and attribute a proportion of licensing authority costs.

The costs to governments of establishing the licensing authority will be apportioned to each occupation under national licensing (including the first and second tranche of occupations and any future harmonisation of conduct requirements). It is assumed that the first tranche of occupations (plumbing and gasfitters, property, electrical and refrigeration and air conditioning) will be apportioned 50 per cent of these costs. The remaining 50 per cent will be apportioned to the second tranche occupations with 30 per cent to building occupations, valuers and conveyancers and 20 per cent to proposed future harmonisation of conduct requirements. Further information is provided in 4.2.

For the refrigeration and air-conditioning occupations, national licensing costs have been estimated according to the following assumptions:

- 50 per cent of national licensing costs have been attributed to future reforms, including secondstage occupations and potential harmonisation to conduct reforms (yet to be agreed)
- the remaining 50 per cent of costs are attributed to first stage occupations, with 2 per cent of these costs allocated to refrigeration and air-conditioning occupations.

For more detail on these assumptions, see 4.3.

The transition and operating costs of the licensing authority have been budgeted for 2011–12 to 2014–15, and the contributions from each jurisdiction have been agreed for this period. The costs of the licensing authority attributable to the refrigeration and air-conditioning occupations, however, should only be allocated to jurisdictions that licence refrigeration and air-conditioning. Therefore, the costs of the licensing authority have been allocated across jurisdictions according to their relative number of licensees. Table 4.3 illustrates this distribution.

Table 4.3: National Occupational Licensing Authority - jurisdictional allocation

Contribution of budget estimate	NSW	Vic	Qld
Government	55%	28%	17%

The detailed budget of the licensing authority provided by the COAG National Licensing Taskforce shows that transition costs over and above the ongoing cost of operating the licensing authority will be incurred in the first three years. This includes the one-off establishment cost of the licensing authority, the implementation costs associated with the national licensing register and higher meeting costs during the transition period.

Based on these figures, it is estimated that the transition costs associated with the licensing authority are about \$0.10 million. This cost would be incurred across three years, leading to a transition cost of about \$0.09 million NPV over 10 years (as at 1 July 2012). The distribution of costs across jurisdictions is shown in Table 4.4.

Table 4.4: Transition costs associated with the National Occupational Licensing Authority

\$ million	NSW	Vic	Qld	National
Transition cost (undiscounted)	0.05	0.03	0.02	0.10
10-year NPV as at 1 July 2012	0.05	0.03	0.02	0.09

For further information on the assumptions underlying this estimate, see 4.3.

Costs to transition to a national licensing register (jurisdictional implementation)

Under national licensing, a public national licensing register would be established, providing a cross-jurisdictional summary of all the licences issued under national licensing. This would enable the public and jurisdictional regulators to electronically search for licensed entities and the individuals associated with national licences. The register would be the responsibility of the licensing authority, with all jurisdictional regulators providing information to the licensing authority's central database.

Initially, the register would include all first-wave occupational areas (electrical, plumbing and gasfitting, property, and refrigeration and air conditioning) in each jurisdiction; it is intended that all subsequent occupations would also be included. It is therefore assumed that this initial investment in the register for the four occupational areas would have subsequent value for any other occupations that transition to national licensing in the future.

The intention of including the register within a national licensing framework is to provide greater transparency, allowing consumers to make an informed choice when engaging licensees. It may also improve both consumer awareness of licensing and consumer confidence in the licensing system.

The estimates of total register costs for jurisdictions are those costs that are incurred to upgrade current systems at the jurisdictional level to allow IT systems to interface with the national licensing register. As implementation of the system has not yet commenced, there is currently little available data on the full cost of this implementation. For this Consultation RIS, a range of cost estimates have been used and will be tested further during the consultation phase.

These costs are estimated to be between \$2.0 million and \$5 million per jurisdiction, with lower costs for small jurisdictions and New South Wales (due to the new system being based on the Government Licensing Service). Given that the register will be used for several occupations, 50 per cent of this implementation cost has been attributed to future reforms, including second-stage occupations and potential harmonisation of conduct reforms (yet to be agreed). Of the remaining 50 per cent, 2 per cent is attributable to the refrigeration and air-conditioning occupations.

The cost for jurisdictions implementing the national licensing register is \$0.12 million in transition costs or \$0.11 million NPV over 10 years as at 1 July 2012. The distribution of costs across jurisdictions is shown in Table 4.5.

Table 4.5: National licensing register transition costs

\$ million	NSW	Vic	Qld	Total ^a
Total costs to government of transitioning to the national licensing register (time and upgrade costs – undiscounted)	2	5	5	29
Total costs attributable to refrigeration and air-conditioning occupations under the first stage of reforms (undiscounted transition cost)	0.02	0.05	0.05	0.12
10-year NPV of cost attributable to refrigeration and air-conditioning as at 1 July 2012	0.02	0.05	0.05	0.11

a May not sum due to rounding.

For further information on the assumptions underlying these estimates, see 4.3.

Government communications

Regulators in each state and territory are expected to develop and implement a communications strategy that seeks to inform various stakeholders of the changes to the licensing of the refrigeration and air-conditioning occupations. Relevant stakeholders include licence holders, industry associations, training providers, other government agencies with relevant responsibilities and consumer groups. Most regulators would already be conducting regular consultation with these groups as part of their current responsibilities; however, it is reasonable to expect that this reform would require an increased level of engagement and communications with stakeholders prior to the commencement of the new licensing arrangements.

The cost of this engagement would vary considerably across states and territories, depending on the type of engagement conducted and the medium used. There are currently no estimates available from each of the state and territory regulators on what it may cost to complete these activities. The Victorian regulator, Consumer Affairs Victoria, does, however, have estimates of the communications costs that were incurred when they made changes to the property industry in their state. This estimate of about \$325,000 has been used as the basis for estimating this cost to regulators. The number of refrigeration and air-conditioning licensees is significantly lower than the number of property licensees. For example, in Victoria there are over 50,000 property licensees but only 3,500 refrigeration and air-conditioning licensees. Given that some communications costs are proportional to the number of licensees, only half of this cost has been applied to the relevant three states.

Based on these estimates, the communications cost to government is \$0.49 million in transition or \$0.46 million NPV over 10 years as at 1 July 2012. The distribution of costs across jurisdictions is shown in Table 4.6.

Table 4.6: Government communications costs during the transition to national licensing

\$ million	NSW	Vic	Qld	National
Transition cost (undiscounted)	0.16	0.16	0.16	0.49
10-year NPV as at 1 July 2012	0.15	0.15	0.15	0.46

For further information on the assumptions underlying these estimates, see 4.3.

Question: Beyond the time and transition costs incurred by licensees, businesses and households, and the one off establishment costs incurred by governments, are there any other transition costs that should be considered in moving to national licensing?

4.1.1.2 Direct costs and benefits of national licensing

The costs and benefits in this section are the ongoing impacts that would be incurred each year throughout the operation of national licensing, beginning in the first year of operation, assumed for the purposes of this analysis to be 2013–14. A 10-year NPV is presented in this analysis; however, these impacts are ongoing and could theoretically be considered over a longer time horizon as they will be enjoyed for many years.

While the transition costs outlined in 4.1.1 are quite discrete, many of the ongoing impacts affect several different sectors of the economy (that is, licensees, business and consumers and government). For that reason, this section is presented by type of impact rather than by sector.

Labour mobility

Labour mobility is defined as the extent to which labour is free to move around the economy in response to opportunities in the marketplace. This movement may be the relocation of labour from one region to another, or it may be the extent to which labour is accessible for short term, or on an itinerant basis, as required by firms across the economy (for instance, on short-term contracts, or on a 'fly-in, fly-out' basis, which do not require a permanent relocation). In addition, labour mobility should also be considered in the context of movement of workers across state and territory border towns or regions.

There is a complex set of factors which can influence the mobility of labour in an economy. Even when there are employment opportunities for workers across the economy, the extent to which these will be filled is influenced by:

- the accessibility of information on work opportunities across regions
- the costs associated with moving to a new job, or of working remotely, away from home for particular periods
- the availability of infrastructure in a region, including housing, schools, child care, transport, etc. (which is particularly important for workers looking to relocate to a region)
- regulatory settings that may impede the mobility of labour, either directly by prohibiting movement or indirectly by imposing cost barriers that are sufficiently high to deter movement by employees.

In making employment decisions, each individual will have a threshold cost of taking up a new employment opportunity (be it relocation or a short-term 'fly-in, fly out' opportunity). This move need not be a permanent move and could involve temporary relocation to take advantage of a market opportunity. For short relocations or temporary moves, fixed costs – such as licensing – become all the more relevant. This is the cost above which the move will not be cost effective and will not proceed. This threshold will be related to the potential future benefit for employment in a new jurisdiction (with benefits including both financial and lifestyle factors). It is reasonable to assume that this threshold cost will vary for individuals. Therefore, as costs are lowered, a greater proportion of individuals in an industry would consider moving to a new jurisdiction for employment (an additional factor in this equation is the relative wages across jurisdictions) or taking up opportunities where they arise in other jurisdictions. On this basis, there are potential benefits in seeking to drive down costs from current levels.

Understanding the linkages between labour mobility and costs suggests that reducing costs has the potential to increase this proportion. There are likely flow-on benefits of higher labour mobility across the economy, in the form of economic efficiency improvements.

The benefit from improved labour mobility is difficult to quantify. To provide an indication of the potential benefit, this Consultation RIS draws on the work undertaken in this area by the Productivity Commission. In their 2009 review, they found that moving from no mobility of labour (i.e. licensees are prohibited from moving interstate) to full labour mobility without restrictions could lead to a 0.3 per cent increase in real GDP. Based on real GDP in 2011, this would represent about \$4 billion per annum. Taking refrigeration and air-conditioning services to represent about 0.1 per cent of employment in the economy and assuming that national licensing would result in about 10 per cent of this benefit, this leads to a benefit to the economy of about \$0.4 million per annum. For more detail on these assumptions, see 4.3.

Given that refrigeration and air-conditioning is only licensed in three jurisdictions, the labour mobility benefit from national licensing is reduced. In this analysis, this is accounted for by using only the number of licensees in the three relevant states to estimate the appropriate proportion of employment in the economy (i.e. 0.1 per cent).

Using this estimate as an indication of the potential benefit under national licensing, the benefit from improved labour mobility under national licensing would be \$0.44 million per annum or \$2.91 million NPV over 10 years as at 1 July 2012. The distribution of this benefit has been allocated based on licence numbers and is shown in Table 4.7. For further information on the assumptions underlying these estimates, see 4.3.

Table 4.7: Benefits from improved labour mobility under national licensing

\$ million	NSW	Vic	Qld	National
Annualised ongoing benefit	0.24	0.12	0.08	0.44
10-year NPV as at 1 July 2012	1.61	0.80	0.50	2.91

Removal of multiple licences held across jurisdictions

Under current licence requirements, licence holders must apply for a new licence if they wish to work in another state or territory that licenses refrigeration and air-conditioning work. Initially, this involves both a time cost and the payment of licence fees. Under mutual recognition, a licence issued in one jurisdiction can be equivalent to a number of licences in another jurisdiction, with associated additional licence costs for the applicant. Subsequently, that person would need to renew their licence(s) in the jurisdiction(s) in which they were held, again involving time and fees. This is the case even when mutual recognition of a licence is granted (i.e. when a regulator determines that the applicant has an equivalent licence). These costs would apply regardless of how effectively mutual recognition is operating.

A key benefit of national licensing would be the removal of the requirement for licence holders to hold more than one licence to work in multiple jurisdictions. It would also remove the need to apply for a new licence when they relocated, as long as that licence holder held a valid national licence.

In order to estimate this benefit for licensees, data provided by jurisdictional regulators has been used to estimate the proportion of licence holders in each jurisdiction who also hold a licence in other jurisdictions. Table 4.8 shows this data, which picks up those licence holders who are transitioning from one jurisdiction to another (for instance, who may hold onto a second licence until it expires) as well as those who hold multiple licences over a long term (for instance, if they work or live in a border region).

Table 4.8: Proportion of licence holders in each jurisdiction who also hold a licence in another jurisdiction

Percentage	NSW	Vic	Qld
% of existing licence holders	3.87%	1.44%	4.45%

Note: The figures in this table represent the percentage of licensees who operate and are licensed in that jurisdiction, but reside in another jurisdiction.

The reduction in costs associated with holding multiple licences can therefore be estimated by taking the total number of licence holders incurring the cost and estimating the avoided costs for these licence holders. This has been done using:

- the number of licence holders who would be affected by the changes, which is estimated using the proportion of licence holders estimated as being required to hold more than one licence under current arrangements (as shown in Table 4.8)
- data on refrigeration and air-conditioning licence fees in each jurisdiction and an estimate of the time to apply for a licence (which would be avoided costs).

It is important to note the potential for mutual recognition applications to be more onerous (in terms of time and documentation required) than standard applications. To reflect this, the average time to apply for a licence is assumed to be higher under mutual recognition. See 4.2 and 4.3 for more detail on the approach to calculating this impact, and the underlying assumptions.

Using this approach, it is estimated that the total cost of holding multiple licences is about \$0.08 million per annum or \$0.53 million NPV over 10 years as at 1 July 2012. These costs would not be incurred under a national licensing approach, and therefore they are a key benefit of the national licensing option (as licence holders would no longer incur these costs). The distribution of this benefit across jurisdictions is shown in Table 4.9. Note that the benefits in this table have been attributed to the home state of licensees. For example, the benefit to New South Wales is the benefit to licensees who predominantly live in New South Wales but also hold licences in Victoria and/or Queensland. This attribution has been calculated based on migration flows. For further information on the assumptions underlying these estimates, see 4.3.

Table 4.9: Benefit to licensees of no longer holding multiple licences across jurisdictions

\$ million	NSW	Vic	Qld	National
Annualised ongoing benefit	0.03	0.02	0.02	0.08
10-year NPV as at 1 July 2012	0.23	0.15	0.15	0.53

The impact on government

While removing the need to hold multiple licences delivers a direct benefit for licence holders, it represents a cost to government (through reduced revenue where there are fewer licences issued). Regulators would also be expected to realise some savings from a reduction in the number of licences issued, as they would no longer need to spend time processing those licences. However, it is noted that jurisdictional regulators will still incur the costs associated with compliance activities for licence holders who continue to work in their jurisdictions, but who are based (and pay their licence fee) in another jurisdiction. Therefore, this would lead to a net cost for government, as the loss in revenue would be greater than the savings realised.

This cost is estimated to be about \$0.07 million per annum (annualised across 10 years) or \$0.46 million NPV over 10 years as at 1 July 2012. The distribution of this cost across jurisdictions is shown in Table 4.10.

Table 4.10: Impact on government from the removal of multiple licences across jurisdictions

\$ million	NSW	Vic	Qld	National
Annualised ongoing cost	0.04	0.006	0.03	0.07
10-year NPV as at 1 July 2012	0.24	0.04	0.19	0.46

Consistent licence periods of one or three years

Under current jurisdictional licensing arrangements, each state and territory has different licence periods, ranging from one year to three years. The current licence periods for each jurisdiction are shown in Table 4.11.

Table 4.11: Current licence periods across each jurisdiction

Jurisdiction	Contractors	Workers
NSW	3 (with the option of 1 year)	3
Vic	1	3
Qld	1	N/A ^a

N/A = not applicable

a This analysis does not account for hydrocarbon licensees

Under national licensing, licensees would have the option of either a one- or three-year licence period. In moving to a standard one- or three-year licence period, it is assumed that licensees would generally opt for the longer licence period of three years. In states and territories with a shorter licence period (i.e. less than three years), licensees would therefore gain a direct benefit from renewing their licence less frequently. In doing so, licensees would save time in applying for their licence and would pay a reduced amount in licence fees across the 10-year period under assessment for this Consultation RIS. Similarly, regulators would save time because they would process these licence applications less often.

If licensees opt to apply for a licence with a one-year period, the benefits of moving to a consistent licence period would be reduced.

Given that licence fees typically recover variable costs (i.e. application processing activities) and fixed-cost activities, the licence fee under a three-year licence would need to be adjusted to allow regulators to continue to recover for fixed costs. Given this, only the application processing component of the fee would be saved (or paid more often) by licensees (which is estimated at \$59 in New South Wales and 54 per cent of licence fees in other jurisdictions).¹⁹

Based on the licence periods shown in Table 4.11 and based on the time and processing fees involved in renewal, the overall national impact on licensees of moving to a three-year licence period is estimated to be a benefit of \$0.87 million per annum annualised (over 10 years) or \$5.69 million NPV over 10 years. The distribution of this benefit across the three relevant states is provided in Table 4.12.

There would be no impact in New South Wales, as its licence period is already three years (with the option of one year). Where licensees in these jurisdictions have the option and choose to apply for a one year licence, they will continue to have this right under national licensing and are therefore not impacted. In Victoria and Queensland, contractors are assumed to benefit from a longer licence period.

¹⁸ This analysis is not suggesting that renewal fees themselves would necessarily be reduced on a per renewal basis, but that over a ten-year period the total amount paid in licence fees would be lower under a three-year licence term compared with a one-year term. This is because the licence holder is not incurring the application cost component of the fee as frequently.

¹⁹ PricewaterhouseCoopers 2009, Estimating financial impacts of the National Occupational Licensing System: final report, p.24.

Based on estimates of the efficient processing component of licence fees from a survey of regulators undertaken in 2009 specific to licensing of the refrigeration and air-conditioning occupations. Estimate percentage based on licence processing cost as a proportion of fee revenue.

Table 4.12: Impact for licensees of moving to a standard licence period of three years

\$ million	NSW	Vic	Qld	National
Annualised ongoing benefit	-	0.45	0.43	0.87
10-year NPV as at 1 July 2012	-	2.92	2.77	5.69

There is no impact for licensees who work in New South Wales, Victoria or Queensland, but live in a state or territory that does not licence refrigeration and air-conditioning work. For example, currently if someone lives in South Australia but works in Victoria, they must apply for one refrigeration and air-conditioning licence – that is, in Victoria (as they are not required to hold one in South Australia). Under national licensing, that person would still have to apply for one licence, except it would be a national licence. Licensees who work in more than one state that licenses refrigeration and air-conditioning work and live outside of these states, will benefit from only having to apply for one licence. The proportion of licensees to which this scenario would apply is unknown and for that reason this has not been accounted for in this analysis.

Reducing the costs of regulatory requirements

Removing 'fit and proper' tests as part of personal probity requirements

Under national licensing, personal probity requirements for the refrigeration and air-conditioning occupations would no longer include 'fit and proper' tests. In jurisdictions that currently impose fit and proper tests for individual licence applicants, there is a potential benefit to those licensees from this change, where they currently incur costs associated with these tests.

Based on a mapping exercise undertaken by the COAG National Licensing Taskforce, New South Wales and Victoria currently impose some form of a fit and proper test as part of their personal probity requirements.²⁰

In Victoria, it is assumed this can be proven by providing two written reference statements. It is estimated that this imposes a time cost of about 20 minutes for each applicant. In New South Wales, a declaration must be made, which is estimated to impose a time cost of 10 minutes..²¹ For more detail on these assumptions, see 4.3.

These time costs would be saved under national licensing by new licence holders applying for a licence in these jurisdictions. Based on the hourly wage rates assumed in this Consultation RIS and the time estimates above, removing this requirement would save licensees about \$0.004 million per annum or \$0.03 million NPV over 10 years as at 1 July 2012. The distribution of benefits across jurisdictions is shown in Table 4.13.

Table 4.13: Benefit to licensees from the removal of personal probity requirements for workers

\$ million	NSW	Vic	National
Annualised ongoing benefit	0.002	0.002	0.004

²⁰ Based on the mapping exercise undertaken by the COAG National Licensing Taskforce, which identified the differences between state and territory licensing requirements and the requirements proposed under national licensing.

²¹ It is assumed that 30 minutes will be required for an applicant to obtain a passport photo and two written references; see PricewaterhouseCoopers, *Private security regulations 2005: Regulatory Impact Statement*, p. 29. In the absence of any other information, it is assumed that two-thirds of this cost is attributable to obtaining two written references (i.e. 20 minutes).

10-year NPV as at 1 July 2012	0.02	0.01	0.03
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For further information on the assumptions underlying this estimate, see 4.3.

It is estimated that the jurisdictional regulators will also benefit from removing fit and proper requirements due to the time taken to consider this information during application processing. At this stage, for the Consultation RIS, the benefit to regulators has not been included in the cost—benefit analysis; however, information is sought from regulators about the time that could be saved during application processing from removing personal probity.

Removal of duplicate testing

When applying for a refrigeration and air-conditioning licence in Victoria, the Victorian regulator (the Plumbing Industry Commission) currently requires applicants to undergo additional testing. Three tests can be applied:

- a practical skills test
- a registration exam
- a licence (theory) exam.

Licensees are generally only required to sit one of these tests, which is likely to be either the registration or licence exam. This test is in addition to qualification requirements and would be removed under a national licensing model, thereby benefiting new applicants who would no longer incur costs associated with this test. The avoided costs include the fees for the test and the time required to sit it. The saving to new licence holders in Victoria of this change is estimated to be \$0.03 million per annum or \$0.23 million NPV over 10 years. For further information on the assumptions underlying these estimates, see 4.2 and 4.3.

Question: Are there any other forms of testing currently required by state and territory governments that should be included in the calculations?

Removing experience requirements

Currently in Victoria and Queensland, ²² it is a licensing requirement that refrigeration and airconditioning licensees have a specified level of experience before obtaining a licence. This means that qualified workers who wish to obtain a licence must have a level of experience in the industry before being granted a licence (generally between one and six years, depending on the jurisdiction). This would mean they could essentially only work under supervision until they have sufficient experience.

Under national licensing, experience requirements would be removed and workers could obtain their licence sooner if they wish to do so.

The direct benefit to licence holders of removing experience requirements could be measured, for example, by the increase in wages when a qualified individual receives their licence. This is the value that licence holders would gain by progressing earlier. Data on wages in this industry is limited, and the actual wage differential is unknown. Note that this benefit would only be realised by licensees who otherwise would not progress to their licence solely due to the current experience requirements.

While the exact impact of the experience requirement is unknown, some assumptions can be made to provide an indicative estimate of the potential saving from its removal. Assuming that there is a

²² Based on the mapping exercise undertaken by the COAG National Licensing Taskforce, which identified the differences between state and territory licensing requirements and the requirements proposed under national licensing.

positive and sizeable wage differential, if at least 50 cents is assumed to be attributable to experience requirements and assuming that licensees are currently missing out on this for at least one year, the estimated impact would be \$0.23 million per annum or \$1.50 million NPV over 10 years as at 1 July 2012. The distribution of benefits across jurisdictions is shown in Table 4.14.

Table 4.14: Benefit to contractor licensees from the removal of experience requirements

\$ million	Vic	Qld	National
Annualised ongoing cost	0.14	0.09	0.23
10-year NPV as at 1 July 2012	0.92	0.58	1.50

For further information on the assumptions underlying this estimate, see 4.3. Given that there is limited information on this impact, this Consultation RIS seeks feedback about the potential gain to licensees of becoming a refrigeration and air-conditioning licensee earlier and the potential wage differential that could be earned as a result.

It is assumed that licensees who progress to become a contractor or full licence holder would continue to perform the refrigeration and air-conditioning work that they undertook under their previous licence (for example, a new contractor would essentially be a full licence holder who is also able to contract with the public). Under this assumption, there would be no change in wages for remaining full licence holders. If an alternative assumption was made however, it is possible that there could be some, albeit small, change in wages for existing licence holders. The challenge in identifying this change is the uncertainty surrounding the elasticities of supply and demand for licensed refrigeration and air-conditioning work.

Costs imposed by new requirements

Introducing a worker licence in Queensland (under national licensing model A)

Under national licensing model A, both workers and contractors would be required to hold a licence. This represents an increase in regulation in Queensland, as they currently only license contractors. Given that they are not licensed, there is limited information on the number of workers in Queensland. Similarly, there is no current fee set for workers in Queensland. For the purposes of this analysis, Queensland has estimated that there would be approximately 4,000 workers who would need to obtain a licence. The fees for these licensees are based on the fee for a three year licence for fire occupational licensees in Queensland. For details on these inputs, see 4.3.

It is estimated that introducing a worker licence in Queensland would cost licensees \$0.42 million annualised per annum or \$2.70 million NPV over 10 years.

Increasing the number of contractor licensees in Queensland (under both national licensing models)

Currently in Queensland a contractor's licence is only required for work above \$3,300. Queensland has estimated that removing this threshold would increase the number of contractor licensees by 25 per cent. Given that no threshold is proposed under national licensing, an additional 25 per cent of licensees would incur the cost of obtaining and renewing a contractor licence (incurring both the time cost to apply and the fees payable). This is estimated to cost \$0.13 million annualised per annum or \$0.83 million NPV over 10 years.

Introducing a contractor licence for businesses in Victoria (under both national licensing models)

Given that Victoria does not license contractors and only licenses individuals, businesses (i.e. companies and partnerships) would need to apply for a licence under national licensing (models A

and B). This would lead to costs for these businesses from paying licence fees and spending time applying for the licence.

Given that they are not separately licensed, the number of businesses that would require such a licence is unknown. To approximate the number of businesses, the proportion of contractor licensees that are businesses in New South Wales has been used to prorate the number of licensees in Victoria. Based on this, and the fees and licence period currently set for full licence holders in Victoria, the cost in Victoria of introducing a contractor licence is estimated to be \$0.19 million annualised per annum or \$1.23 million NPV over 10 years. For more information on the assumptions underlying this estimate, see 4.3.

Changes to qualification requirements

Changes in qualification requirements for Queensland contractors

Currently in Queensland, refrigeration, air conditioning and mechanical services are licensed in two categories: limited and unlimited design. Trade contractors who wish to obtain a limited design licence are required to obtain a Certificate III-level qualification, which is the same as that required for the refrigeration and air-conditioning licence in national licensing model A. Trade contractors who wish to obtain an unlimited design licence are required to obtain a Diploma in Engineering (Refrigeration and Air Conditioning) or Advanced Diploma of Refrigeration and Air Conditioning Engineering.

Under national licensing, design is not included in the scope of work, and prospective licensees would only be required to obtain a Certificate III-level qualification. The added cost of achieving a Diploma or Advanced Diploma for unlimited design licensees is estimated to be \$5,196 and 1,200 hours of time. For further information on the assumptions underlying these estimates, see 4.3.

Based on the number of unlimited design licensees in Queensland and the time and fees for the relevant training course, the total benefit to industry from decreasing the qualification requirements would be \$1.63 million annualised per annum or \$10.63 million NPV over 10 years. This benefit is only applicable to Queensland.

Changes in qualification requirements in Victoria

Currently in Victoria, entrants who wish to obtain a licence or registration in the specialised plumbing class of refrigerated air conditioning are required to obtain a licence in the main plumbing class of mechanical services. In order to pass the licence assessment for this class, applicants are required to demonstrate extra business and technical skills. This section outlines the extra technical qualification requirements, and the next section outlines the extra business qualification requirements.

Applicants are required to demonstrate one Certificate IV-level technical competency unit – to plan, size and layout heating and cooling systems.

Under national licensing, licensees will only be required to attain a Certificate III-level qualification. The estimated training cost for achieving the extra technical skills competency is \$332.80 and 160 hours of time. It is assumed that both full licence holders and registered tradespersons are required to complete this competency. For further information on the assumptions underlying these estimates, see 4.3.

Based on the time and fees spent on the relevant training courses, the total impact on industry from this change to qualification requirements is \$1.08 million annualised per annum or \$7.04 million NPV over 10 years. This benefit is only applicable to Victoria.

Changes in business qualification requirements

Currently in Victoria and Queensland, business qualifications are required for certain licensees to obtain a refrigeration and air-conditioning licence. To obtain a licence or registration in Victoria, applicants must demonstrate competency in three Certificate IV-level units in business training. In Queensland, contractor licensees are required to provide evidence of completion of a Queensland Building Services Authority approved managerial course.

Under national licensing, these business qualifications will not be required. The estimated cost for achieving competency in the three Certificate IV-level units in Victoria is \$257.92 and 124 hours of time. It is assumed that both full licence holders and registered tradespersons are required to complete the business competencies. In Queensland the estimated cost for undertaking a Queensland Building Services Authority approved managerial course is \$273 and 15 hours of time. For further information on the assumptions underlying these estimates, see 4.3.

The overall impact at a national level is \$0.94 million per annum (annualised over 10 years), or \$6.11 million NPV over 10 years. The distribution of impacts across jurisdictions is shown in Table 4.15.

Table 4.15: Impact on licensees from changes to business qualification requirements

\$ million	Vic	Qld	National
Annualised ongoing impact	0.84	0.10	0.94
10-year NPV as at 1 July 2012	5.46	0.65	6.11

Business value-add

Part of the benefit of these reforms accrues to labour that is selling refrigeration and air-conditioning services. However, part of the benefit of these reforms accrues to whoever is buying those services. That could be a business or a household. For a business, having a larger quantity of lower cost refrigeration and air-conditioning services allows the sector to undertake more work at a cheaper price and earn higher profits. Households that purchase refrigeration and air-conditioning services will gain from access to more and cheaper services.

For the purpose of this Consultation RIS, the benefits to the business and household buying refrigeration and air-conditioning services are assumed to be one-third of the direct benefit to labour. This estimate is based on research conducted by the Australian Bureau of Statistics on income shares for factors of production (labour and capital), which estimates the profit share of total factor income (essentially the return to capital of total income in the economy).²³ This measure is the best available indicator of the extent to which income is returned to capital (as opposed to being returned to labour in the form of wages). Feedback is sought on whether this is an appropriate assumption so that a more informed assumption can be used in the Decision RIS.

The net efficiency benefits (i.e. time-based impacts only) to licensees on an ongoing basis under national licensing are estimated to be \$3.82 million in net terms per annum. This translates into a net benefit to business of \$1.27 million per annum in terms of business value-add gained, or \$8.30 million NPV over 10 years. The distribution of benefits across jurisdictions is shown in Table 4.16.

Table 4.16: Business value-add – ongoing net benefit to business

million	NSW	Vic	Qld	National	
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²³ Australian Bureau of Statistics 2011, Australian System of National Accounts 2010-11, cat. no. 5204.0, ABS, Canberra.

Annualised ongoing benefit	0.002	0.72	0.56	1.27
10-year NPV as at 1 July 2012	0.01	4.65	3.63	8.30

National Occupational Licensing Authority – ongoing operational costs

As outlined at 4.1.1.1, a key element of the national licensing model is the establishment of a National Occupational Licensing Authority. The role of the licensing authority would be to develop consistent national policy for obtaining a licence and to administer the national system. To undertake its role, the licensing authority would have ongoing costs such as staff remuneration, maintenance of the national licensing register and meeting costs.

The licensing authority would be used not just for the initial occupations but for future occupations under national licensing that would be introduced over several stages, and its cost has therefore been discounted to account for this. Based on the detailed budget of the licensing authority provided by the COAG National Licensing Taskforce, the ongoing costs are estimated at \$0.08 million per annum or \$0.60 million NPV over 10 years as at 1 July 2012. Table 4.17 illustrates the pro rata distributional effects of the costs (based on the distribution outlined above in Table 4.3).

Table 4.17: National Occupational Licensing Authority - ongoing operational costs

\$ million	NSW	Vic	Qld	National
Annualised ongoing cost	0.05	0.02	0.01	0.08
10-year NPV as at 1 July 2012	0.36	0.18	0.07	0.60

Potential changes in government revenue

Under many of the changes and impacts outlined above, there will be an impact on government regulators flowing from the changes to the licensing system. Where licensing is removed and there is a direct benefit to licence holders from no longer paying licence fees, there is also a cost to government through reduced revenue. However, regulators would also realise some savings from no longer regulating these licensees. If fees are directly representative of the cost of regulating licensees, the net impact on government would be zero, as the loss of revenue would be exactly offset by the savings from reduced licensing activities. We note, however, that some jurisdictions believe that savings from reduced licence processing will be offset by other costs associated with the reforms.

Similarly, where changes are made to training requirements (such as the removal of diploma requirements for unlimited design licensees), training providers would receive less fee revenue (and any associated profit component) but would also no longer incur the cost of running those courses.

There is only one change (or impact) where the reduction in revenue for government is assumed not to equal the savings from changes in licensing activities, leading to a net cost or benefit to government. This is the removal of multiple licences held across jurisdictions. The impact for government in this case has been discussed previously in 4.1.1.1.

Potential benefits to governments from simplified administrative arrangements

A further area of benefit considered in this analysis is the potential savings over time for governments under the proposed national licensing approach.

As set out in previous chapters, the proposed approach to national licensing would retain the role of state and territory regulators in issuing licences, conducting compliance and enforcement activities and overseeing conduct requirements. The licensing authority would be responsible for licence policy development and coordination of the system.

The investment in a licensing authority, with resources allocated to policy functions, coordination and future reforms should reduce the need for these functions at the state and territory level. There is, however, uncertainty about the extent to which these savings would be realised. Key arguments provided include:

- the need for resources to continue to coordinate with the licensing authority, which would liaise with state and territory regulators
- the desire for state and territory regulators to retain policy input, thereby removing the potential to reduce resources allocated to policy
- the need for staff to update the national licensing register with jurisdictional licence data
- the difficulties for small jurisdictions to realise savings with small teams, which would continue
 to work across occupations that are included in the national licensing approach, as well as other
 occupations that would continue to be licensed at the jurisdictional level (essentially a difficulty
 in achieving economies of scale).

The points reflect current views among regulatory agencies that their role, and therefore their resource requirements, is unlikely to significantly change under a national licensing approach. There is currently a strong focus on the resources required to transition to a national system (for example, the transition from jurisdiction-based licensing registers to a national register). These transition costs are not necessarily representative of future efficiencies that can be achieved once a new system is fully implemented and bedded down. It is, therefore, important to differentiate between these transition impacts and the potential benefits of administering a national licence system over the medium to long term.

A way forward appears to be an improved focus on future functions of agencies, and the extent to which there would be opportunities for savings, if there is a willingness of agencies to realise these savings over time

This Consultation RIS considers three key areas where there may be opportunities to streamline state and territory functions over time under a national licensing approach. The most salient of these is the streamlining of licensing policy functions.

Streamlining policy functions

Under a national licensing approach, the licensing authority would be responsible for developing national licensing policy for each occupational area and overseeing its consistent application by jurisdictional regulators. The operation of licensing services would be delegated to the existing jurisdictional regulators. State and territory regulators would use existing staff and infrastructure for these licensing functions.

Centralising policy development would allow state and territory governments to scale back the resources they currently allocate to these functions. The licensing authority would provide policy direction to jurisdictional regulators, which should reduce their administrative costs.

An analysis of administrative and governance requirements for a national licensing system conducted in 2009 included a preliminary analysis of the potential savings for jurisdictions. ²⁴ The analysis considered the total full-time equivalent resource requirement for regulators across seven occupations, ²⁵ estimating what proportion of these are required for policy functions that would be conducted by the licensing authority under the new approach. The analysis found:

²⁴ PricewaterhouseCoopers 2009, National Occupational Licensing System: estimating financial impacts: final report.

²⁵ Occupations assessed were building occupations, electrical, plumbing and gasfitting, refrigeration and air-conditioning mechanics, land transport (both passenger and dangerous goods), property and maritime.

- a potential saving of \$16.2 million annually across all seven occupations
- for refrigeration and air-conditioning occupations, this would equate to a NPV saving of \$2.28 million over 10 years.

These estimates are a useful indication of the potential scale of savings that could be realised. However, agencies doubt the likelihood that these savings could be fully realised due in part to new and additional work to support the licensing authority and effectively contribute to national policy development, and undertake additional administrative functions as delegates of the licensing authority (as compared to current arrangements.

Reduction of requirements to maintain the mutual recognition system

All Australian governments currently have a responsibility, under legislation, to administer and maintain mutual recognition as a means of improving the efficiency of the licensing of occupations across Australia. There are two key areas where a change to national licensing would result in reduced costs for governments.

The *Mutual Recognition Act 1992* provides that ministers may jointly declare occupations licensed by jurisdictions to be equivalent, and may specify or describe any conditions necessary to achieve equivalence.

Ministerial declarations are an important component of the entire mutual recognition approach, as they establish equivalence in licences, thereby improving the effectiveness of outcomes from mutual recognition applications. Maintaining this system does, however, require an ongoing resource commitment by all governments, for key tasks such as reviewing the ministerial declarations and updating the schedules of occupations and their relevant conditions.

Those agencies that make decisions based on the ministerial declarations (i.e. state and territory regulators) must ensure that their staff understands how to use them, and that they are updated on changes to the licence equivalence tables contained within the declarations.

Under national licensing, fewer resources would be required to maintain ministerial declarations and update the information contained in the declarations. This results in a cost saving for all state and territory governments. The potential amount of cost saving will vary across governments, depending on the current resource allocation to these tasks, how regulators may change their practices under a national licensing approach, and whether a commensurate level of work is required to maintain national regulations and other instruments.

Currently, licensing authorities are required to explain mutual recognition principles to licence holders and businesses, including providing guidelines and information about the operation of mutual recognition in relation to the occupations for which they are responsible. Licensing authorities must also provide information reasonably required by another licensing authority about a person seeking a licence under mutual recognition. Under national licensing, regulators would continue to communicate licensing requirements; however, it is likely that the simplified arrangements under national licensing, and the inclusion of a national licensing register, would reduce the complexity of information that needs to be communicated (such as removing the need to explain the conditions under which mutual recognition may or may not apply).

It should be noted that there would still be a need for mutual recognition of licences that are not covered under national licensing and that there would also be a need to recognise occupational licences from New Zealand under the Trans-Tasman Mutual Recognition Arrangement.

Other impacts that have not been quantified

Consistency of licensing requirements across jurisdictions

Currently, when applying for a licence in another jurisdiction, the licence holder incurs costs associated with understanding the different requirements to gain a licence in that jurisdiction. While in some cases the differences between jurisdictions may be minimal, in others it may be significant. Therefore, applicants cannot assume that their knowledge of licensing requirements would be transferrable to another jurisdiction, and they must invest some time in investigating licence requirements for the jurisdiction in which they wish to work.

Under national licensing, there would be a single licensing system for licence holders to understand and adhere to. Licence holders who work in more than one jurisdiction would benefit from greater consistency in licensing requirements across those jurisdictions. National licensing would provide consistency across all licensing characteristics, including:

- the regulated work that can be performed
- licence categories
- exemptions from licensing
- skills- and non-skills-based requirements.

Therefore, those operating in multiple jurisdictions would experience a saving gained by no longer needing to invest time in understanding the differences and nuances of licensing systems in more than one of those jurisdictions. This potential time saving would vary depending on the type of licence and jurisdiction where the application is being lodged. There is currently insufficient data to quantify this time saving.

Benefits from enabling future reforms

The refrigeration and air-conditioning occupations are one of four first-wave occupational areas being considered for national licensing. Further reforms are proposed in second-stage occupational areas (including building-related occupations), and in the potential harmonisation of conduct requirements. These reforms are linked in terms of providing a complete reform of licensing requirements. In particular, the potential harmonisation of conduct reforms is likely to deliver related benefits for licence holders where current regulatory requirements for licences are included in conduct requirements (for instance, a number of potential benefits from reform of licence requirements in this Consultation RIS are not included in estimates as they fall under conduct requirements). However, these potential conduct reforms are yet to be agreed on.

Other impacts

Some further remaining benefits are worth noting in this section, but have not yet been quantified. These impacts are minor and are not expected to have a significant impact on the analysis. They include:

• Changes to the Queensland hydrocarbon licence. In Queensland, a licence is required if a refrigeration and air-conditioning mechanic wishes to work with hydrocarbon refrigerants. Under both national licensing models and the no licensing (except for the Commonwealth Arctick licence) option, this licence would no longer be required. Current and future licensees would therefore save time and effort from no longer having to apply for a licence, and would no longer have to pay licence fees to obtain this licence. New licensees would also avoid the cost of completing any relevant training required to obtain the licence. Currently, there are 25 gas work (hydrocarbon refrigerants) licensees in Queensland, meaning the overall impact would be small.

Instead of removing this licence, Queensland strongly supports the inclusion of an endorsement under national licensing for licensees working with hydrocarbon refrigerants. If an endorsement was introduced under any of the options being considered, it would lead to an increase in costs for licensees in New South Wales and Victoria.

- The benefits to licensees from removing the licensing of duct work. This is a fairly narrow scope
 of work and would only affect licensees if they undertake duct-related work only. The licensee
 would still require a licence for other refrigeration and air-conditioning work to undertake the
 regulated scope of work. Given this, it is expected that only a small number of licensees would
 be affected.
- The removal of design from the scope of work for the refrigeration and air-conditioning
 occupations. It is unclear how significant this change will be for licensees, but it does appear to
 be a fairly small component of the overall scope of work. Feedback is sought on the potential
 impacts of removing the licensing of design in relation to refrigeration and air-conditioning work.
- The removal of additional testing or eligibility requirements, such as mental capacity, health and fitness and age requirements. The removal of these requirements would reduce barriers to licensing and benefit new licence holders.

4.1.1.3 Impact on consumer outcomes

Under national licensing, it is proposed that a number of current requirements for licensing be changed on the basis that they represent an unnecessary regulatory burden for licence holders. Several of these requirements have the potential to impact consumer protection outcomes, namely:

- the removal of experience requirements
- the proposed changes to qualification requirements in some jurisdictions.

Attachment E provides a detailed analysis of the risks associated with refrigeration and airconditioning work.

The key consideration for this analysis is whether any of the proposed changes in licensing arrangements would alter consumer protection outcomes.

Changes to licence periods would not alter licence requirements, though it could potentially lengthen the time between renewals, and therefore the time for regulators to receive updated information. However, across the entire licence period, whatever the length, compliance and enforcement would continue to be required – renewal is just one element of the process.

In relation to competency units, these units may improve the competency or management skills of licence holders. The importance of these units to consumer protection outcomes needs to be further tested with stakeholders.

The establishment of the national register will provide more consistent information for consumers across the country as well as enhanced quality of data.

4.1.2 National licensing model B: partial regulation

Under this model, a licence would only be required to contract with the public for refrigeration and air-conditioning work. That is, only contractors would be licensed and all other worker licensees would no longer need a licence.

4.1.2.1 Costs and benefits that are consistent with national licensing (model A)

Many of the costs and benefits under the full regulatory option of national licensing (model A) would still be relevant under a partial regulation approach. These include:

- transition costs, including the time for licensees to understand the new reforms, business value add lost, setting up the licensing authority, jurisdictional implementation of the national licensing register and government communication costs
- the introduction of contractor licences for businesses in Victoria
- increasing the number of contractor licensees in Queensland
- ongoing operational costs of the licensing authority
- changes to qualification requirements, including removal of the requirement to hold a diploma for an unlimited design licence in Queensland, and the requirement to undertake an additional Certificate IV unit in Victoria and the removal of business competencies
- the removal of duplicate testing
- the removal of fit and proper tests from personal probity
- the removal of experience requirements.

Compared to the current licensing system, the impacts of these changes would still occur if there was partial regulation. The amount of these impacts would be exactly the same as under national licensing with full regulation (model A).

Labour mobility

Benefits from labour mobility would also accrue under this model. Given that licensing would only be required for contractors, worker licensees would be entirely free to move between all jurisdictions without licensing barriers. The benefit that would accrue from labour mobility would therefore be at least as high as the benefit quantified for model A of national licensing (\$0.44 million per annum or \$2.91 million NPV over 10 years), but could be higher.

Removing the requirement to obtain a worker licence

Under this model, licence holders who do not contract with the public ('workers') in New South Wales and Victoria would no longer be required to apply for a licence to undertake refrigeration and air-conditioning work. They would therefore benefit through reduced expenditure on licence fees, and reduced costs associated with applying for the licence.

Currently in Victoria, all licence holders can contract with the public even if they do not wish to do so. Given that Victoria does not currently licence contractors separately, the proportion of licensees who do not contract with the public and are just 'workers' is unknown. To estimate the impact of removing the licensing of workers in Victoria, the assumed proportion of licensees who are 'workers' has been based on the proportion in New South Wales. The licence fee and period assumed for estimating this impact are those relating to a registered tradesperson.

This benefit to licensees is estimated to be \$0.33 million annualised per annum or \$2.13 million NPV over 10 years as at 1 July 2012. The distribution of benefits across jurisdictions is shown in Table 4.18. There is no impact in Queensland because it does not license workers.

Table 4.18: Benefit to licensees of removing the requirement to hold a worker licence under the partial regulation model

\$ million	NSW	Vic	Qld	National
Annualised ongoing benefit	0.10	0.23	-	0.33
10-year NPV as at 1 July 2012	0.66	1.47	-	2.13

For further information on the assumptions underlying these estimates, see 4.3.

Removal of multiple licences held across jurisdictions

The impact of removing multiple licences held across jurisdictions is estimated in the same way as under national licensing model A, but is only applied to contractors. The benefit to contractors is estimated to be \$0.08 million per annum or \$0.51 million NPV over 10 years as at 1 July 2012, and the associated cost to government is estimated to be \$0.07 million annualised per annum or \$0.45 million NPV over 10 years as at 1 July 2012. The distribution of these impacts across jurisdictions is shown in Table 4.19.

Table 4.19: Impacts from contractors no longer holding multiple licences across jurisdictions

\$ million	NSW	Vic	Qld	National
Benefit to contractors				
Annualised ongoing benefit	0.03	0.02	0.02	0.08
10-year NPV as at 1 July 2012	0.22	0.15	0.14	0.51
Cost to government				
Annualised ongoing cost	0.04	0.005	0.03	0.07
10-year NPV as at 1 July 2012	0.23	0.03	0.19	0.45

For further information on the assumptions underlying these estimates, see 4.3.

Consistent licence period of a proposed one or three years

Under national licensing model B (partial regulation), this impact is only relevant for contractors. The impact of moving to a consistent licence period is estimated in the same way as under national licensing model A, but is only applied to contractors. The benefit to contractors is estimated to be \$0.72 million per annum or \$4.67 million NPV over 10 years as at 1 July 2012. The distribution of benefits across jurisdictions is shown in Table 4.20. There is no impact in New South Wales because contractors already have a one- or three-year licence period. Given that worker licences in New South Wales and Victoria are both offered as a three-year licence period, the impact of a three-year licence period is the same under model B as under model A. A sensitivity of longer licence periods across the different options is provided in 4.1.4.

Table 4.20: Benefit for contractors of moving to a standard licence period of one or three years

\$ million	NSW	Vic	Qld	National
Annualised ongoing benefit	-	0.45	0.27	0.72
10-year NPV as at 1 July 2012	-	2.92	1.75	4.67

For further information on the assumptions underlying these estimates, see 4.3.

Business value-add

The ongoing impacts to labour under partial regulation outlined above would have a flow-on impact for business value-add. This concept is the same as under model A of national licensing and the same assumptions have been used to calculate the impact. Under model B (partial regulation), the benefit to business in terms of value-add would be \$1.31 million per annum or \$8.51 million NPV over 10 years as at 1 July 2012. The distribution of benefits across jurisdictions is shown in Table 4.21. The benefits are higher under this model than under model A because the removal of worker licences has a labour time component.

Table 4.21: Business value-add – ongoing net benefit to business under national licensing model B –partial regulation

\$ million	NSW	Vic	Qld	National
Annualised net ongoing benefit	0.010	0.74	0.56	1.31
10-year NPV as at 1 July 2012	0.06	4.81	3.64	8.51

For further information on the calculation and the assumptions underlying these estimates, see 4.2 and 4.3.

Impact on consumer outcomes

Under national licensing model B, there would be no additional licensing for workers over and above the Commonwealth Arctick licence. This would only represent a change for New South Wales and Victoria. This raises the question as to whether removing licensing in those jurisdictions would have any impact on consumer outcomes, in particular consumer safety. This is a topic that should be tested with stakeholders in consultation, with evidence-based feedback sought.

4.1.3 No national licensing (except for the Commonwealth Arctick licence

Under this option, refrigeration and air-conditioning occupations would not be included in the national licensing system, and New South Wales, Victoria and Queensland would remove their current licensing system for the refrigeration and air-conditioning occupations. The Commonwealth Arctick licence would remain.

4.1.3.1 Costs and benefits that are consistent with national licensing (model A: full regulation)

Many of the ongoing benefits under the full regulatory option of national licensing (model A) would still be relevant under a no licensing (except for the Commonwealth Arctick licence) approach. These include:

- changes to qualification requirements, including removal of the requirement to hold a diploma for an unlimited design licence in Queensland, the requirement to undertake an additional Certificate IV unit in Victoria and the removal of business competencies
- the removal of duplicate testing
- the removal of fit and proper tests from personal probity
- the removal of experience requirements.

Other than the changes in qualifications listed above, it is assumed that under no national licensing, there would be no additional saving of qualification costs. This is because the qualifications or 'technical skills' required for the Commonwealth Arctick licence are broadly comparable to those proposed under national licensing and would continue to be required even under no national licensing.

Labour mobility

Benefits from labour mobility would also accrue under this option. Given that licensing would be removed in all states and territories, refrigeration and air-conditioning mechanics would be entirely free to move between all jurisdictions without licensing barriers. The benefit that would accrue from labour mobility would be at least as high as the benefit quantified for model A of national licensing (\$0.44 million per annum or \$2.91 million NPV over 10 years), but could be higher.

Removing the requirement to obtain a licence

Under the no licensing (except for the Commonwealth Arctick licence) option, licence holders in New South Wales, Victoria and Queensland would no longer be required to apply for a licence to undertake refrigeration and air-conditioning work. They would therefore benefit through reduced expenditure on licence fees, and reduced costs associated with applying for the licence (primarily time). This benefit to licensees is estimated to be \$3.75 million per annum or \$24.40 million NPV over 10 years as at 1 July 2012. The distribution of benefits across jurisdictions is shown in Table 4.22.

Table 4.22: Benefit to licensees of removing the requirement to hold a licence under the no licensing (except for the Commonwealth Arctick licence) option

\$ million	NSW	Vic	Qld	National
Annualised ongoing benefit	1.18	1.25	1.32	3.75
10-year NPV as at 1 July 2012	7.65	8.15	8.59	24.40

For further information on the assumptions underlying these estimates, see 4.3.

Business value-add

The ongoing impacts to labour under no licensing (except for the Commonwealth Arctick licence) outlined above would have a flow-on impact for business value-add. This concept is the same as under model A of national licensing and the same assumptions have been used to calculate the impact. Under no licensing (except for the Commonwealth Arctick licence), the benefit to business in terms of value-add would be \$1.39 million per annum or \$9.03 million NPV over 10 years as at 1 July 2012. The distribution of benefits across jurisdictions is shown in Table 4.23.

Table 4.23: Business value-add – ongoing benefit to business under the no licensing (except for the Commonwealth Arctick licence) option

\$ million	NSW	Vic	Qld	National
Annualised ongoing cost	0.02	0.80	0.56	1.39
10-year NPV as at 1 July 2012	0.15	5.22	3.66	9.03

For further information on the calculation and the assumptions underlying these estimates, see 4.2 and 4.3.

Government communications

In terms of transition costs, the only impact expected under no licensing (except for the Commonwealth Arctick licence) would be communications costs for government. Governments would need to ensure that licensees and those who use refrigeration and air-conditioning services were aware that the occupation was no longer licensed. Given the simple nature of the proposed change under this option, this impact is estimated to be lower than under other options considered in this RIS. While it is still based on Victoria's estimate from changes to the property industry (about \$325,000 per jurisdiction), only 25 per cent of this estimate has been applied to this option. Based on this, the cost to government from communicating the changes under no licensing except for the Commonwealth Arctick licence) would be \$0.24 million in transition costs or \$0.23 million NPV over 10 years as at 1 July 2012. The distribution of benefits across jurisdictions is shown in Table 4.24.

Table 4.24: Government communication costs under the no licensing (except for the Commonwealth Arctick licence) option

\$ million	NSW	Vic	Qld	National
Annualised ongoing cost	0.08	0.08	0.08	0.24
10-year NPV as at 1 July 2012	0.08	0.08	0.08	0.23

Impact on consumer outcomes

The removal of licensing for the refrigeration and air-conditioning occupations in New South Wales, Victoria and Queensland would mean that there was no specific licensing for this occupation in any jurisdiction in Australia (though Commonwealth Arctick licensing would continue). This raises the question of whether removing licensing in these jurisdictions would have any impact on consumer outcomes, in particular consumer safety. Information provided by Queensland for this analysis suggests that there are risks associated with the use of flammable hydrocarbon refrigerants, and that there have been incidents where these substances have been used by untrained persons.

That said, jurisdictions outside of New South Wales, Victoria and Queensland currently do not have licensing specific to this occupation, and there does not appear to be evidence that a greater number of safety incidents are occurring as a result. This is a topic on which we are seeking stakeholder feedback.

4.1.4 Sensitivity of the results

4.1.4.1 Comparing the impacts for licensees working in single and multiple jurisdictions Of the impacts that have been quantified in this analysis, two impacts relate only to those licensees and businesses who work across more than one jurisdiction. These are the benefits from:

- improved labour mobility
- the removal of multiple licences held across jurisdictions.

To demonstrate the impact of national licensing on those who work in a single jurisdiction versus those who operate across multiple jurisdictions, table 4.25 below shows the quantified impacts separated out for each of these groups. The separation of the results has been calculated based on:

- the percentage of licensees in each state and territory domiciled in another jurisdiction
- the estimated distribution of multiple licence holders across each of the jurisdictions.

For more detail on these two assumptions, see 4.3.

Table 4.25: Comparison of the impacts of national licensing on licensees working in a single jurisdiction versus licensees working across more than one jurisdiction

\$ million	National licensing model A	National licensing model B	No licensing (except for the Commonwealth Arctick licence)
Impacts on those who currently	operate in only one jurisdiction		
Ongoing impact per annum	5.10	5.85	8.78
Transition cost	(1.24)	(1.24)	(0.24)
Impacts on those who operate in	n more than one jurisdiction		
Ongoing impact per annum	0.61	0.64	0.65
Transition cost	(0.03)	(0.03)	(0.01)
Overall total impact			
Ongoing impact per annum	5.71	6.49	9.50
Transition cost	(1.27)	(1.27)	(0.24)

4.1.4.2 Sensitivity testing of key assumptions

Sensitivity analysis on key assumptions of the cost–benefit analysis was undertaken for this Consultation RIS. As the Office of Best Practice Regulation states:

There may be considerable uncertainty about predicted impacts and their appropriate monetary valuation. Sensitivity analysis provides information about how changes in different variables would affect the overall costs and benefits of the regulatory proposal. It shows how sensitive predicted net benefits are to different values of uncertain variables and to changes in assumptions. It tests whether the uncertainty over the value of certain variables matters, and identifies critical assumptions. ²⁶

Alternative licence periods

The national licensing model assessed in this Consultation RIS includes a standard licence period of one or three years across all licence types and relevant jurisdictions. The impact of three alternatives has been assessed. These are:

- a longer licence period of five years
- a longer licence period of 10 years
- a perpetual licence, meaning that there is no defined period to the licence and it never needs to be renewed.

Under a five- or 10-year licence period, licensees in jurisdictions that currently have a licence period of less than five or 10 years would benefit because they would not need to renew their licence as often. The longest licence period for refrigeration and air-conditioning occupations is currently three years. Therefore, all jurisdictions would benefit under a five- or 10-year licence period from renewing their licence less often.

Under a perpetual licence, licensees in all jurisdictions would benefit from no longer needing to periodically renew their licence. New licensees would still need to apply for a licence, but once it was

²⁶ Australian Government 2010, Best practice regulation handbook, Canberra.

received and eligibility criteria met, no renewals would be necessary. Therefore, the cost in time and fees currently spent on renewing licences would be entirely avoided under this option.

Assuming that only the processing component of fees would be affected by a change to the licence period, Table 4.26 shows the overall quantified net impact under each licence period assessed. Under no licensing (except for the Commonwealth Arctick licence), the future licence period is not relevant and for that reason changing the licence period has no impact on the overall result.

Table 4.26: Net overall impact of national licensing under various licence periods

Total NPV over 10 years (\$ million)	National licensing model A	National licensing model B
1- or 3-year licence period	35.93	40.97
5-year licence period	39.68	43.32
10-year licence period	42.49	45.09
Perpetual licence	45.30	46.85

Some of the factors that should be considered when deciding on the best licence period include:

- Information collection The licence period should enable the regulator to collect sufficient information so as to undertake their role effectively and most efficiently. A longer licence period may be appropriate if information is available from other sources or the extent to which information changes is low. A shorter licence period may be appropriate if the industry is fragmented, the extent to which information changes is high and/or there is systemic risk in the industry.
- Minimum skills-based eligibility requirements Consideration should be given to how often
 minimum skills-based eligibility requirements need to be retested. A shorter licence period may
 be appropriate if the cost of reassessing competency or continuing professional development is
 low; technical skills may be eroded over time; and/or the level of change in factors such as
 technology, skill requirements and regulation is high.
- Minimum licence requirements The licence period will affect how often minimum licence
 requirements such as insurance, professional memberships or probity requirements are
 reviewed by the regulator. A shorter licence period may be appropriate if the cost of reassessing
 such requirements is low, the potential for change in these requirements is high and/or the
 impact of breaching these requirements would be significant.
- Conduct requirements Licence renewal may play a role in the enforcement of conduct requirements, as licensees are granted a licence on the basis that they will comply with all conduct requirements. If there is systemic risk inherent in the industry, a shorter licence period may be appropriate because the impact of insufficient enforcement with conduct requirements may be significant. It is worth noting, however, that revocation of licences can be used for serious breaches and that this sanction should not be replaced by sanctioning through nonrenewal.

Question: What should the non-contractor licence term be under national licensing?

Question: What should the contractor licence term be under national licensing?

4.1.4.3 Net present value assumptions

Discount rate

A sensitivity analysis was undertaken on the 7 per cent discount rate used to calculate NPV figures in this Consultation RIS. Table 4.27 highlights the impact that alternative discount rates (specifically, 3 per cent and 10 per cent) have on the total cost estimates for the proposed option.

Table 4.27: Alternative discount rates for the proposed option

National NPV over 10 years (\$ million)	7 per cent	3 per cent	10 per cent
National licensing model A (1- or 3-year licence period)	35.93	45.84	30.32
National licensing model B (1- or 3-year licence period)	40.97	52.22	34.59
No licensing (1- or 3-year licence period)	61.64	78.18	52.26

Net present value operating period

A sensitivity analysis was undertaken on the operating period used to calculate NPV figures in this Consultation RIS. Table 4.28 highlights the impact that increasing the operating period (specifically, from 10 years to 15 and 20 years) has on the total cost estimates for the proposed option.

Table 4.28: Alternative net present value operating period for the proposed option (\$ million NPV over 10 years)

Operating period	National licensing model A	National licensing model B	No licensing
10 years	35.93	40.97	61.64
15 years	48.32	55.04	82.28
20 years	57.83	65.85	98.14

Note: A real discount rate of seven per cent has been used.

The results in Table 4.28 highlight the impact that different assumptions about the operating period can have on the estimated costs and benefits of the proposed option. In this case, increasing the operating period has a positive effect on the NPV estimate as the majority of costs are short term (i.e. transition), while the majority of benefits are long term.

4.1.5 Cost and benefits of the automatic mutual recognition option

Automatic mutual recognition could achieve some of the same labour mobility benefits as national licensing, as it would enhance the ability for some labour to flow where refrigeration and air-conditioning occupations are most needed, and would reduce administrative and financial costs in the form of additional fees where licences are held across jurisdictions. Some of the transition costs incurred under national licensing would also be relevant under automatic mutual recognition. For example, licensees would need to spend time understanding the new licensing system and government would incur communications costs in informing licensees of the changes.

While national licensing seeks to reduce the number of categories, there is no mechanism or compulsion under automatic recognition to make such changes. Automatic recognition retains individual jurisdictions' licensing frameworks and for that reason involves a lower transition cost to that envisaged under national licensing.

There is the potential for this option to capture the benefits that have been identified under national licensing model A. This would require jurisdictions to amend their licensing arrangements, conditions

and categories, in line with what has been proposed under the national licensing system. There would also need to be a mechanism to ensure consistent review of licensing requirements over time, for example, in regard to changing qualification requirements or new licence categories to respond to changing industry and market needs, to ensure that the initial benefits are not eroded.

To the extent that all of the changes under national licensing are agreed under automatic mutual recognition, this option is in fact national licensing as outlined above. The downside of automatic mutual recognition is that the benefits that are likely to flow from the agreed establishment of the licensing authority are not guaranteed. Without ongoing coordination and impetus to maintain and build on the initial reforms, there is a risk that automatic mutual recognition may only provide one-off selective reductions in regulatory burdens.

In order to fully quantify and assess the impacts under this option, further guidance from governments on option parameters and available data would be needed.

That said, Table 4.29 shows some of the potential impacts under national licensing model A that could also occur under automatic mutual recognition. The table shows the maximum possible impacts. The actual impact will be dependent on the percentage of licences that are deemed to be equivalent across jurisdictions and the extent to which harmonisation of licensing requirements occurs.

Table 4.29: Costs and benefits in terms of net present value over 10 years

Potential impacts	Maximum
Ongoing impacts (\$ million per annum annualised over 10 years)	
Impacts that would occur for those holding equivalent licences	
Labour mobility	Up to 0.44
Removing the need to hold multiple licences	Up to 0.08
Removing the need to hold multiple licences – government	Up to (0.07)
Impacts that would occur for those holding equivalent licences only if all jurisdictions agreed to requirements	harmonise these
Introducing licensing of workers	Up to (0.42)
Introducing licensing of contractors	Up to (0.19)
Increasing the number of contractor licensees	Up to (0.13)
Consistent licence period (1 or 3 years)	Up to 0.87
Decrease qualification requirements	Up to 2.71
Removing business training	Up to 0.94
Remove duplicate testing	Up to 0.03
Removing fit and proper from personal probity	Up to 0.004
Removing experience requirement	Up to 0.23
Business value-add	Up to 1.27
Transition impacts (\$ million)	
Time for licensees to understand reforms	Up to (0.43)
Business value-add	Up to (0.14)
Government communications	Up to (0.49)
Other potential impacts not yet quantified	

Potential impacts	Maximum
Impacts on government compliance costs	Not quantified
Costs and benefits of a register of disciplinary actions	Not quantified
The scope of work for some licences will either be covered by a broader licence category or will become unlicensed	Not quantified
The removal of additional eligibility requirements such as age requirements.	Not quantified

The potential transition costs of this option include:

- time for licence holders to understand changes in licensing arrangements (i.e. how automatic mutual recognition works)
- government communications costs
- government compliance costs, where regulators are required to change their compliance arrangements to ensure that they are able to regulate for new licence holders working in their jurisdiction under automatic licences (this is both a transition and an ongoing cost)
- the potential cost of harmonising any current aspects of licensing, where it is proposed under this option (to be determined by state and territory governments).

In order to fully quantify and assess the impacts under this option, further guidance from governments on option parameters and available data would be needed. For example, the following information would be needed:

- the proportion of current licensees who are working under licences that have an equivalent licence in other jurisdictions (or, alternatively, a means of estimating these proportions should be agreed with jurisdictions)
- information on the extent to which transition costs that have been estimated for national licensing may need adjusting to reflect differences in this option (as opposed to national licensing)
- information from jurisdictional regulators on the costs associated with additional compliance activities (such as an estimate of resource costs)
- information on the cost of the register of disciplinary actions, including information on the potential scale of this register, and how it may work with existing arrangements.

4.1.6 Summary of the costs and benefits by jurisdiction

The costs and benefits for each jurisdiction in terms of net present value over 10 years (as at 1 July 2012) are summarised in tables 4.30 to 4.32. Note that costs are represented in brackets.

New South Wales

Table 4.30: Costs and benefits of national licensing in New South Wales, net present value over 10 years

NPV 10 years (\$ million)	National licensing model A	National licensing model B	No licensing (except for the Commonwealth Arctick licence)
Transitional impacts	(0.52)	(0.52)	(0.08)
Time for licensees to understand reforms	(0.22)	(0.22)	_
Business value-add	(0.07)	(0.07)	-

NPV 10 years (\$ million)	National licensing model A	National licensing model B	No licensing (except for the Commonwealth Arctick licence)
Licensing – set-up costs	(0.05)	(0.05)	-
National licensing register – jurisdictional implementation	(0.02)	(0.02)	-
Government communications	(0.15)	(0.15)	(0.08)
Ongoing impacts	1.29	2.00	9.43
Removing licensing of workers (national licensing model B)	-	0.66	-
Removing licensing of contractors (no licensing except for the Commonwealth Arctick licence)	-	-	7.65
Removing the need to hold multiple licences	0.23	0.22	-
Removing the need to hold multiple licences – government	(0.24)	(0.23)	-
Removing 'fit and proper' from personal probity	0.02	0.02	0.02
Labour mobility	1.61	1.61	1.61
Business value-add	0.01	0.06	0.15
Licensing authority – operational	(0.33)	(0.33)	-

Victoria

Table 4.31: Costs and benefits of national licensing in Victoria, net present value over 10 years

NPV 10 years (\$ million)	National licensing Model A	National licensing Model B	No licensing (except for the Commonwealth Arctick licence)
Transitional impacts	(0.36)	(0.36)	(0.08)
Time for licensees to understand reforms	(0.10)	(0.10)	-
Business value-add	(0.03)	(0.03)	-
Licensing authority – set-up costs	(0.03)	(0.03)	-
National licensing register – jurisdictional implementation	(0.05)	(0.05)	-
Government communications	(0.15)	(0.15)	(0.08)
Ongoing impacts	20.76	22.39	27.84
Removing licensing of workers (national licensing model B	-	1.47	-
Removing licensing of contractors (no licensing except for the Commonwealth Arctick licence)	-	-	8.15
Introducing licensing of business contractors	(1.23)	(1.23)	-
Removing the need to hold multiple licences	0.15	0.15	-
Removing the need to hold multiple licences – government	(0.04)	(0.03)	-
Consistent licence period (1 or 3 years)	2.92	2.92	-
Decrease qualification requirements	7.04	7.04	7.04
Removing business training	5.46	5.46	5.46
Removing duplicate testing	0.23	0.23	0.23
Removing 'fit and proper' from personal probity	0.01	0.01	0.01
Removing experience requirement	0.92	0.92	0.92
Labour mobility	0.80	0.80	0.80
Business value-add	4.65	4.81	5.22
Licensing authority – operational	(0.17)	(0.17)	-

Queensland

Table 4.32: Costs and benefits of national licensing in Queensland, net present value over 10 years

NPV 10 years (\$ million)	National licensing Model A	National licensing Model B	No licensing (except for the Commonwealth Arctick licence)
Transitional impacts	(0.32)	(0.32)	(0.08)
Time for licensees to understand reforms	(0.08)	(0.08)	-
Business value-add	(0.03)	(0.03)	-
Licensing authority – set-up costs	(0.02)	(0.02)	-
National licensing register – jurisdictional implementation	(0.05)	(0.05)	-
Government communications	(0.15)	(0.15)	(0.08)
Ongoing impacts	15.08	16.77	24.60
Removing licensing (no licensing except for the Commonwealth Arctick licence)	-	-	8.59
Introducing licensing of workers	(2.70)	-	-
Increasing the number of contractor licensees	(0.83)	(0.83)	-
Removing the need to hold multiple licences	0.15	0.14	-
Removing the need to hold multiple licences – government	(0.19)	(0.19)	-
Consistent licence period (1 or 3 years)	2.77	1.75	-
Decrease qualification requirements	10.63	10.63	10.63
Removing business training	0.65	0.65	0.65
Removing experience requirement	0.58	0.58	0.58
Labour mobility	0.50	0.50	0.50
Business value-add	3.63	3.64	3.66
Licensing authority – operational	(0.10)	(0.10)	-

4.2 Approach to the impact analysis – method and calculations

This section outlines the methods used to estimate the impacts in the cost—benefit analysis and the computable general equilibrium analysis. Note that in some of the equations shown below, 'refrigeration and air-conditioning mechanics' has been abbreviated to RACM.

4.2.1 Calculations used in the cost–benefit analysis

The impact analysis in this Consultation RIS has been developed on the basis of available information on the potential costs and benefits of the options assessed. This section provides a detailed explanation of how the estimates in the cost—benefit analysis were calculated. The underlying data that was used in these calculations is provided in 4.3.

4.2.1.1 The status quo

The status quo provides a base case against which options under assessment can be compared. The status quo option represents what would occur in the absence of any specific action by governments to address the problems identified in Chapter 2 - Current Regulatory Approach

For this Consultation RIS, the status quo is the continuation of the current system of licensing by state and territory regulators. The current system includes mutual recognition, whereby individuals are licensed at the state and territory level, but are able to seek mutual recognition of their licence if they move to another jurisdiction to work (or work across multiple jurisdictions).

The costs of the status quo position

For this analysis, the costs of the status quo are essentially the costs associated with the continuation of the current arrangements. These costs are already represented elsewhere in this Consultation Regulation Impact Statement, in Chapter 2 – Current Regulatory Approach.

The linkage between the status quo costs and problem analysis makes intuitive sense as the status quo assumes that no specific action is taken by governments to address problems with current arrangements, and therefore the costs of maintaining the status quo are those associated with the problem.

It is therefore not necessary to repeat that analysis fully here, though to summarise, the key costs of the status quo are:

- direct costs to licence holders of holding multiple licences if they wish to work in more than one jurisdiction
- direct costs to licence holders of current regulatory requirements which are not necessary to meet the regulatory objective
- costs associated with complex administrative systems within some jurisdictions and duplicated administrative arrangements for licensing across three jurisdictions
- broader impacts across the economy where barriers to the movement of skilled workers and to the operation of business would remain.

4.2.1.2 Calculating the present value of yearly impacts

The costs and benefits in this Consultation RIS have been calculated on a yearly basis. The impact in each individual year has then been discounted and brought together to calculate an overall present value for each cost and benefit. Despite the fact that impacts are typically incurred on a continuous

basis throughout the year, for the purpose of this analysis it is assumed that all impacts are incurred at the end of the relevant financial year (for example, for impacts incurred in 2012–13, it is assumed that they are fully incurred by 30 June 2013 and are therefore discounted back to 1 July 2012).

The impacts have been calculated on a yearly basis because the impact may vary from one year to the next (i.e. due to industry growth, or transition versus ongoing impacts).

As the underlying data used in calculating the impacts varies across jurisdictions, the impacts have been calculated at a state and territory level. The national impact is then the sum of each of the jurisdictional impacts. Note that due to rounding, the value generated from the calculations in this appendix may not be exactly equal to the numbers quoted in this report.

4.2.1.3 Net industry growth factor for employment

In the cost—benefit analysis, it is assumed that the number of licensees within the sector in question will change over time, consistent with overall changes in the size of the sector. Within the estimates, a net industry growth rate has been applied to all relevant calculations. To apply this growth rate on a compound basis, a factor has been used. This factor is simply a series of numbers that correspond to each financial year over time. The first 10 years of the factors are shown below in Table 4.33.

Table 4.33: Industry growth factor

Year	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Factor	1.0000	1.0157	1.0316	1.0478	1.0642	1.0808	1.0978	1.1150	1.1325	1.1502

Incorporating this factor, as an input, allows a calculation to account for industry growth in licensees over time. The calculation for the value of a factor in any one year (other than the base year, which is equal to 1) is the value of the factor in the previous year multiplied by (1 + 0.0157), as the net industry growth rate for the refrigeration and air-conditioning industry is assumed to be 1.57 per cent. See the tables in 4.3 of this appendix for more details on the assumptions underlying this calculation.

Note that while it is assumed national licensing would not begin operation until 2013–14, 2011–12 has been used as the base year for industry growth factor. The licensee numbers assumed for each jurisdiction are based on a range of sources and are not all estimated at the same point in time. Some licensee numbers were provided by jurisdictional regulators as at January – March 2012. However, where data was not available or provided, data collected by PricewaterhouseCoopers for previous work on national licensing in 2009 has been used. While the number of licensees was estimated at different points in time across different jurisdictions, to be conservative and have a consistent base point, the year 2011–12 has been used as the point from which the industry growth factor has been applied.

4.2.1.4 Time cost as referred to in the calculations in this chapter

The time cost is used in many of the calculations outlined in this chapter. This time cost represents the dollar value of someone's time based on the number of hours spent and the relevant wage rate. The equation used to calculate the time cost is shown in Figure 4.1.

Figure 4.1: How to calculate the time cost



4.2.1.5 Calculating the net present value

The equations outlined below provide the calculation for obtaining the yearly impact. For example, if a 10-year NPV is calculated, the yearly impact must first be calculated for each of the 10 years of operation assumed (i.e. 2013–14 to 2022–23). The NPV is then calculated as at 1 July 2012. Therefore, it is equal to the sum of the yearly impacts discounted back to 1 July 2012.

4.2.1.6 Calculating the transition and ongoing costs

In addition to presenting impacts as an NPV over 10 years, this Consultation RIS reports the non-discounted transition costs and annualised yearly ongoing costs. To calculate the transition costs, the yearly impacts are simply summed together without discounting. To calculate the per annum ongoing impact, the yearly impact has been calculated for the 10 years of operation (i.e. years 2013—14 to 2022–23) and the average of those 10 years has been taken to gain an annualised ongoing impact per annum.

4.2.1.7 Estimating transition costs to licence holders

The equation used to calculate the yearly transition cost is shown in Figure 4.2. The transition cost is assumed to occur in the year before national licensing is implemented (in 2012–13). The impact in all other years is \$0. This impact applies to all licensees.

Figure 4.2: How to calculate transition cost to licensees



4.2.1.8 Transition cost for government of communicating the changes to the industry and consumers

This cost is based on estimates calculated by Victoria in relation to the communications costs that were incurred when it made changes to the property industry in the state. Half of this cost has been applied to the three states that license refrigeration and air-conditioning work.

This cost is assumed to be transitional and is only incurred in the year before national licensing is implemented (2012–13). The cost in all other years is assumed to be \$0. The direct cost to government assumed in 2012–13 for each jurisdiction can be found in tables in 4.3. No further calculations have been done to adjust these figures.

4.2.1.9 Cost to governments of the transition to a national licensing register

The cost of transitioning to a national licensing register is a one-off cost assumed to occur before national licensing is implemented. The equation used to calculate the cost in 2012–13 is shown in Figure 4.3. The impact in all other years is assumed to be \$0.

Figure 4.3: How to calculate the jurisdictional implementation cost of the register



NLR = national licensing register; RACM = refrigeration and air-conditioning mechanics

4.2.1.10 Cost of establishing and operating the National Occupational Licensing Authority

The cost benefit analysis assumes that there would be costs to government of establishing and operating the National Occupational Licensing Authority. Given that the budget for the Licensing Authority is only projected for the first four years of operation, the cost in the fourth year is assumed to represent the ongoing cost in all subsequent years (year five onwards). The cost in the first three years is higher than the ongoing cost due to additional transition costs incorporated into the budget. The transition cost incurred during 2011-12 is assumed to be incurred at the end of the period (consistent with the general approach to the timing of impacts) and hence is not discounted. The ongoing costs are assumed to begin in year 2012-13 and continue into the future. The transition costs in 2012-13 and 2013-14 are therefore assumed to be the difference between the budgeted value and the ongoing cost each year. The equations used to calculate the yearly transition and ongoing cost are set out in Figures 4.4 and 4.5. Note that when calculating the impact in year one (2011-12), the budget in year 4 is not subtracted because 100% of the budget in 2011-12 is assumed to be a transition cost.

In the calculation of these costs, the overall licensing authority budget has been apportioned to the refrigeration and air-conditioning occupations on the basis of advice from the COAG National Licensing Taskforce:

- a percentage of total budget that can be attributed to first-wave occupations (the first four occupations being considered for reform) this is assumed to be 50 per cent
- a percentage of total budget that can be attributed to the refrigeration and air-conditioning occupations specifically (within this first-wave proportion) 2 per cent of the 50 per cent.

The costs to each jurisdiction that license refrigeration and air-conditioning work is estimated based on their relative number of refrigeration and air-conditioning licensees. These same proportions have been used to attribute uncommitted funds in the first year of operation (which is included in the first-year overall licensing authority budget).

Figure 4.4: How to calculate the transition cost (first three years only) for the licensing authority



NOLA = National Occupational Licensing Authority; RACM = refrigeration and air-conditioning mechanics

Figure 4.5: : How to calculate the ongoing cost for the licensing authority



NOLA = National Occupational Licensing Authority; RACM = refrigeration and air-conditioning mechanics

4.2.1.11 Removing the need to hold multiple licences across jurisdictions

When a licence is no longer needed, it will impact both new licensees (as they will no longer need to gain a licence) and existing licensees (as they will no longer need to renew their existing licence). The equation used to calculate the yearly avoided cost from no longer needing to hold multiple licences in each jurisdiction is shown in Figure 4.6. This impact is calculated separately for contractors versus workers to account for the fact that different licence periods and fees apply to these licensees.

In terms of the time cost to obtain a mutual recognition licence, South Australia has indicated that it would typically take less time for a licensee to obtain such a licence compared to the time that would be taken if the licensee resided in South Australia. On the other hand, case studies provided by – and discussions with – the COAG National Licensing Taskforce suggest that in some cases the time to obtain a licence under mutual recognition can far exceed the time to obtain a licence for those residing in a given jurisdiction. For that reason, this analysis has assumed that mutual recognition is more arduous in the following ways:

- For those first applying for a licence in another jurisdiction, the time cost would increase by a
 factor of two compared to the time taken to apply if it was one's own jurisdiction, reflecting
 additional search costs and potential delays imposed on licensees or businesses who are hiring
 the individual in the other jurisdiction.
- For those renewing a licence under mutual recognition, the time cost of applying for a licence is still assumed to be higher, but only a multiplier of 5 per cent is assumed (which is applied to the assumption of the time to apply for a licence).

The time cost to apply for a licence in this equation is therefore calculated as follows:

- The time cost to apply for a new licence under mutual recognition is two multiplied by the time to apply for a licence in the relevant jurisdiction multiplied by the wage rate in the relevant jurisdiction.
- The time cost to apply for a licence renewal under mutual recognition (as used in the renewal calculation) is the time to apply for a licence renewal in the relevant jurisdiction multiplied by 1.05 multiplied by the wage rate in the relevant jurisdiction.

The proportion of licensees renewing each year is equal to one divided by the licence period, as it is assumed that licence renewals are distributed evenly over time across the industry.

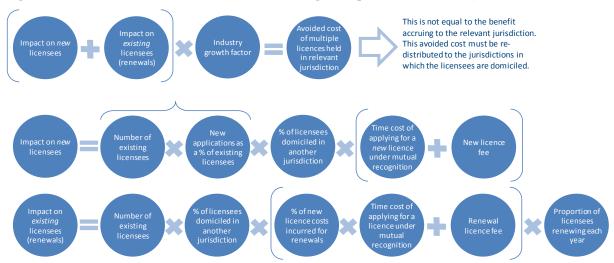


Figure 4.6: How to calculate the benefit of removing multiple licences across jurisdictions

The avoided cost calculated in Figure 4.6 is not attributable to the jurisdiction for which it is calculated. The avoided cost accrues to the jurisdiction in which the licence holders are domiciled, not the jurisdiction in which they hold the additional licence. For example, where a worker who lives in New South Wales currently holds both a New South Wales and Queensland licence, under national licensing, they would no longer be required to hold a Queensland licence to work in Queensland. The saving from not having to apply for or hold a Queensland licence would be realised by that worker from New South Wales; hence, the benefit is determined as a benefit realised in New South Wales.

In estimates for this Consultation RIS, this benefit has been distributed according to the percentage distributions shown in Table 4.67. For that reason, the benefit accruing to any one jurisdiction is actually the sum product of the avoided costs for each jurisdiction (calculated as above) and the percentage of multiple licences in each jurisdiction accruing to licensees domiciled in the relevant jurisdiction (i.e. the relevant jurisdiction's column in Table 4.50).

4.2.1.12 Continuing compliance activity on reduced revenue

The savings that are enjoyed by licensees in the refrigeration and air-conditioning industry who no longer have to hold multiple licences have been accounted for by the reduction of fees and effort associated with applying for those licences.

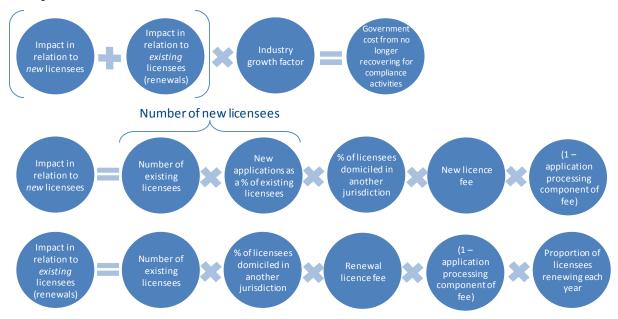
Advice from jurisdictions is that a proportion of those fees is raised to cover compliance activities that currently occur. To ensure that existing compliance activities are able to continue in light of a single licensing system, resources will need to be available to the regulators for each jurisdiction to continue to oversee refrigeration and air-conditioning licensees who are licensed elsewhere but work in each relevant jurisdiction.

The following estimate accounts for this based on the efficiency saving that is used elsewhere of 54 per cent (which represents the application processing component of licence fees), leaving a 46 per cent cost associated with compliance and other related activities for those licensees who no longer hold multiple licences. This component will no longer be recovered through fees, but the activities will still need to be funded by government. Note that in New South Wales, the application processing component of licence fees is estimated based on dollar figures provided by the regulator, rather than the percentage outlined above. For detail on these estimates, see 4.3.

The equation used to calculate the yearly impact on government is shown in Figure 4.7. This equation is based on the equation for calculating the benefit to licence holders through reduced costs of holding multiple licences. This impact is calculated separately for contractors versus workers

to account for the fact that different licence periods and fees apply to these licensees. The proportion of licensees renewing each year is equal to one divided by the licence period, as it is assumed that licence renewals are distributed evenly over time across the industry.

Figure 4.7: How to calculate the cost to government from continuing compliance activity for multiple licence holders



4.2.1.13 Impact from a consistent licence period of one or three years across all jurisdictions

This impact only applies to the renewal of licences and only the application processing component of the fee would be saved (or paid more often) in those jurisdictions with a licence period shorter (or longer) than three years. This component is \$59 is New South Wales and in other jurisdictions is calculated as 54 per cent of the renewal licence fee in the relevant jurisdiction based on a survey of regulators conducted in 2009 relating to refrigeration and air-conditioning licences (see 4.39 to 4.41 for more details on the assumptions underlying this calculation). Some jurisdictions have suggested that the fixed component of the licence fees may increase, due to the uncertainty surrounding this information; this factor has not been accounted for in the analysis.

The equation for calculating the yearly impact from a consistent licence period is shown in Figure 4.8. The proportion of licensees renewing each year is equal to one divided by the licence period, as it is assumed that licence renewals are distributed evenly over time across the industry. This impact is calculated separately for contractors versus workers to account for the fact that different licence periods and fees apply to these licensees.

Existing Prop'n of (1 - %) of proportion of Number of existing year under other **NOLS** jurisdiction' Application processing Benefit of licence costs Industry applying for a increasing the growth factor the renewal licence fee

Figure 4.8: How to calculate the benefit to licensees of an increase in licence period

4.2.1.14 Changes in qualification requirements

Changes to qualification requirements affect new licence holders only because competency requirements must be met upon first obtaining a licence. The number of new licensees is based on the number of new applicants in the industry as a percentage of existing licensees. The equation for calculating the impact from changes to qualification requirements is shown in Figure 4.9.

Figure 4.9: How to calculate the effect of changes to qualification requirements



4.2.1.15 Savings from removing 'fit and proper' tests as part of personal probity

This impact only applies to new licence holders, as probity requirements are placed on licensees upon first applying for a licence. The equation used to calculate the yearly impact is shown in Figure 4.10.

Figure 4.10: How to calculate the savings from removing fit and proper tests



4.2.1.16 Benefit of removal of duplicate testing in Victoria

This impact only applies to new licence holders, as the additional tests must be sat by licensees when first applying for a licence. The equation used to calculate the yearly impact is shown in Figure 4.11. This impact is only applicable in Victoria.

Figure 4.11: How to calculate the benefit of removing duplicate testing



4.2.1.17 Labour mobility

The equation for calculating the estimated impact of labour mobility is shown in Figure 4.12.

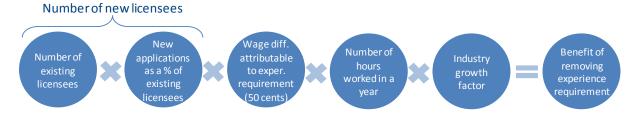
Figure 4.12: How to calculate the benefit of labour mobility



4.2.1.18 Removing experience requirements

This impact applies to all licensees. The equation used to calculate the yearly impact is shown in Figure 4.13.

Figure 4.13: How to calculate the benefit of removing experience requirements



4.2.1.19 Business value-add

The impact on business value-add is calculated as one-third of the efficiency impact on labour. The ongoing net efficiency impact on labour includes the time component (not including fees) of the following impacts:

- the introduction of worker licences in Queensland
- the introduction of business contractor licences in Victoria
- changes to qualification requirements
- the removal of fit and proper tests
- the removal of duplicate testing
- consistent licence period
- the removal of multiple licences across jurisdictions
- the removal of experience requirements
- the removal of the licensing of workers and contractors (only under the relevant models).

The one-off efficiency cost to labour includes the time component (not including fees) of understanding national licensing.

4.2.1.20 Removing the requirement to hold a licence

Under two of the options considered in this consultation RIS, certain licences would no longer be required:

- Under no licensing (except for the Commonwealth Arctick licence), all licences for refrigeration and air-conditioning work would no longer be required.
- Under national licensing model B, all worker licences for refrigeration and air-conditioning work would no longer be required.

The equation used to calculate the benefit to licensees from removing licensing is shown in Figure 4.14.

Benefit of Impact or existing removing new growth licensing for factor (renewals) Number of new licensees Number of new the category applying for being existing removed Number of Impact on Proportion of Renewal existing licence costs the category applying for incurred for licensees licence fee renewing being (renewals) removed

Figure 4.14: How to calculate the effect of removing licensing

4.2.1.21 Introducing the requirement to hold a licence

Under the national licensing models, certain licensees would need to obtain a licence where they did not before:

- Under national licensing models A and B, businesses in Victoria undertaking refrigeration and air-conditioning work would need to obtain a contractor licence and the number of contractor licensees in Queensland would increase.
- Under national licensing model A, workers in Queensland undertaking refrigeration and airconditioning work would need to obtain a licence.

The equation used to calculate the cost to licensees from introducing licensing is shown in Figure 4.15.

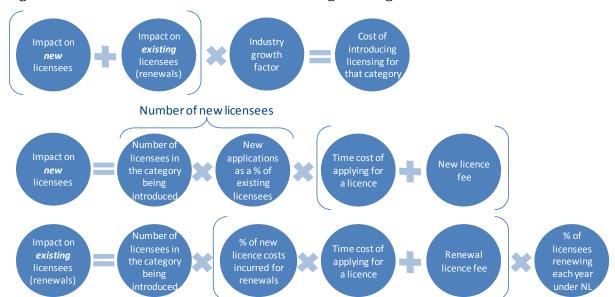


Figure 4.15: How to calculate the effect of introducing licensing

4.3 Inputs and assumptions underlying the analysis

4.3.1 Assumptions in the cost–benefit analysis

The following tables provide details on all the key data sources and assumptions made in the impact analysis for this Consultation RIS. In some areas assumptions have been made where data is not readily available. Where these assumptions are made, the method for making the assumption is explained in the text and tables below.

In Victoria there is no contractor licence for refrigeration and air-conditioning work. Victoria does, however, make the distinction between a full licence holder and a registered tradesperson. While both of these licence categories allow an individual to contract with the public, for the purposes of presenting information in this section, full licence holders have been grouped with contractors, and registered tradespersons have been grouped with workers.

4.3.1.1 Real discount rate

All future cost and benefit cash flows will be discounted to 2012 dollars using a real discount rate of 7 per cent in line with the requirements of the *Best practice regulation handbook,* which also recommends sensitivity testing using 3 per cent and 10 per cent discount rates.²⁷

Table 4.34: Discount rate and sensitivities

Assumption	Unit	Value	Source
Discount rate			
Real discount rate	% per annum	Headline: 7% Sensitivity: 3%, 10%	Australian Government 2010, Best practice regulation handbook, Canberra, p. 66.

4.3.1.2 Evaluation period

The Best practice regulation handbook states that 'the total period [of evaluation] needs to be long enough to capture all potential costs and benefits of the proposal' and provides guidance that 'in

²⁷ Australian Government 2010, Best practice regulation handbook, Canberra, p. 66.

view of the difficulty of forecasting costs and benefits over long periods, exercise caution when adopting an evaluation period longer than 20 years'. Accordingly, an evaluation period of 10 years has been used, with sensitivity testing using 15 and 20 years.

COAG has agreed that the first stage of national licensing will commence in 2013.²⁹

It is assumed for this analysis that the exact start date would be 1 July 2013.

Table 4.35: Timing of analysis

Assumptions	Unit	Value	Source
Timing			
Operating start date	date	1 July 2013	Unpublished advice provided by COAG National Licensing Taskforce
Evaluation period	years	Headline: 10 years Sensitivity: 15, 20 years	Assumption based on advice in Australian Government 2010, Best Practice Regulation Handbook, p. 63.

4.3.1.3 Wage rate

A jurisdiction-specific wage rate has been used in the analysis, based on data available from the Australian Bureau of Statistics relating to employee earnings and hours.³⁰

Hourly cash earnings

Data on hourly cash earnings for refrigeration and air conditioning employees has been sourced from the Australian Bureau of Statistics, *Employee earnings and hours*, cat. no. 6306.0, using the Australian and New Zealand Standard Classification of Occupations (ANZSCO) codes.

There is no ANZSCO code specific to the refrigeration and air conditioning industry. As a result, plumbing has been used as a proxy. According to the ANZSCO code 334, plumbers install, maintain and repair pipes, drains, guttering and metal roofing, mechanical services and related equipment for water supply, gas, drainage, sewerage, heating, cooling and ventilation systems.

ANZSCO suggests that an indicative skills level for this occupation is an Australian Qualifications Framework Certificate III, including at least two years of on-the-job training, or an Australian Qualifications Framework Certificate IV.³¹ It is also noted that in some cases, at least three years of relevant experience may substitute for the formal qualifications listed above.

The hourly cash earnings rates below are based on ordinary time worked per person (excluding overtime), based on the specific hours worked in each jurisdiction.³²

It is assumed that as the activities involved with national licensing are ancillary to employment, the opportunity cost of time is the wage rate that can be earned in the industry (i.e. hourly cash earnings).

29 Phase 1 of national licensing includes the following occupational areas: electrical, plumbing, property, and air-conditioning and refrigeration mechanics.

31 Australian Bureau of Statistics, ANZSCO – Australian and New Zealand Standard Classification of Occupations, First Edition, Revision 1, www.abs.gov.au/ausstats/abs@.nsf/Product+Lookup/F003AE0AA29DED4DCA2575DF002DA6E6?opendocument.

32 Australian Bureau of Statistics 2010, *Employee earnings and hours*, cat. no. 6306.0, May, www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6306.0May%202010?OpenDocument#Publications.

²⁸ Ibid.

³⁰ Australian Bureau of Statistics 2010, *Employee earnings and hours*, cat. no. 6306.0, May, www.abs.gov.au/ausstats/abs@.nsf/mf/6306.0.

On-cost and overheads

According to the Australian Bureau of Statistics labour costs survey (2002–03) an on-costs multiplier of 1.172 is appropriate for the 'electricity, gas and water supply' industry, ³³ which includes:

- employee earnings
- superannuation
- payroll tax
- worker's compensation
- fringe benefits tax.³⁴

In the absence of any other information, the Victorian *Guide to regulation* suggests that an overheads multiplier of 1.5 is appropriate.³⁵ The Victorian Competition and Efficiency Commission suggests that overhead costs include building costs (floor space, fixtures, fittings and maintenance and services), equipment, consumables, IT and other support services, administrative support and corporate overheads (senior management, corporate finance, human resources and legal services).

Due to the characteristics of this industry, including a high proportion of self-employed individuals who have lower overheads and fewer on-costs (i.e. no payroll tax and superannuation benefits), an overheads and on-cost multiplier of 1.5 is applied to the hourly cash earnings assumed for refrigeration and air-conditioning mechanics.

Inflation rate

In order to inflate the hourly cash rates to 2012 dollars, the national consumer price index (CPI) for the period March 2010 to March 2012 has been used based on data from the Australian Bureau of Statistics (cat. no. 6401.0).³⁶ Note that the national CPI figures have been used.

While ideally the wage rates would be inflated to 1 July 2012 (as the NPV is calculated as at 1 July 2012), the most recent data available when writing this report was CPI figures from March 2012.

Table 4.36: Wage rate assumptions

Assumption	Unit	Value	Source				
Hourly cash earnings							
NSW	\$ per hour	\$28.20	Australian Bureau of Statistics 2010, Employee earnings and hours, cat. no. 6306.0, May, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 334 'Plumbers', Table 1B, www.abs.gov.au/ausstats/abs@.nsf/mf/6306.0/ Note: Based on 'ordinary time per person' (excluding overtime)				
Vic	\$ per hour	\$25.90	Australian Bureau of Statistics 2010, Employee earnings and hours, cat. no. 6306.0, May, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 334 'Plumbers', Table 1C, www.abs.gov.au/ausstats/abs@.nsf/mf/6306.0/ Note: Based on 'ordinary time per person' (excluding overtime)				

³³ The 'electricity, gas and water supply' industry is the closest available proxy for the refrigeration and air-conditioning occupation.

³⁴ Australian Bureau of Statistics, *Labour costs, Australia 2002–03*, cat. no. 6348.0.55.001, www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6348.0.55.001Main+Features12002-03?OpenDocument.

³⁵ Department of Treasury and Finance (Victoria) 2011, Victorian guide to regulation, Edition 2.1, Melbourne.

³⁶ March 2010 is the closest figure available to May 2010.

Assumption	Unit	Value	Source	
Qld	\$ per hour	\$31.60	Australian Bureau of Statistics 2010, Employee earnings and hours, cat. no. 6306.0, May, Australian and New Zealand Standard Classification of Occupation (ANZSCO) Code 334 'Plumbers', Table 1D, www.abs.gov.au/ausstats/abs@.nsf/mf/6306.0/ Note: Based on 'ordinary time per person' (excluding overtime)	
			Traces based on oraniary time per person (excluding overtime)	
On-costs and overl	neads multiplie	r		
On-costs and overheads multiplier	Multiplier	1.5	Assumption based on Australian Bureau of Statistics labour cost survey data and guidance material from the Victorian Competition and Efficiency Commission	
Inflation rate (Mar	ch 2010 to Mar	ch 2012)		
Inflation rate	%	4.97%	Australian Bureau of Statistics 2012, Consumer Price Index – Australia, cat. no. 6401.0, 2012, www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6401.0Main+Features1Ma r%202012?OpenDocument Note: Inflation index from March 2010 (index number of 171.0) to March 2012 (index number of 179.5).	

4.3.1.4 Industry growth rates (employment)

The net industry growth rate represents the number of people leaving and entering the industry per year.

The proportion of new applicants only takes into consideration the number of new entrants in the industry. For this rate, in the absence of jurisdiction-specific information, a national figure based on data from the Australian Bureau of Statistics labour mobility survey has been used in the cost—benefit analysis. The 'electricity, gas, water and waste services' industry is the closest available proxy for the refrigeration and air conditioning occupations.

Table 4.37 Industry growth rates (employment)

Assumptions	Unit	Value	Source				
Net industry growth – national							
Total	% per annum	1.567%	IBISWorld 2012, Air conditioning and heating services in Australia, Industry Report (E4233), April, 'Annual change in employment', p. 36.				
			Average of current and projected rates for 2011–12 to 2016–17. This growth rate is based on national industry statistics and does not consider jurisdiction-specific circumstances.				
Proportion of new	applicants in th	ne industry (n	ew applicants as a proportion of existing licensees)				
NSW, Vic and Qld	% per annum	4.07%	Australian Bureau of Statistics 2010, <i>Labour mobility</i> , February, cat. no. 6209.0, Table 7, page 23.				
			Calculated as the number of employees who entered into a different industry division in the last 12 months, as a proportion of the total number of employees in the 'electricity, gas, water and waste services' industry during that time.				

4.3.1.5 Licence fees

The licence fees presented in Table 4.38 are the current fees under the existing jurisdiction-based licensing schemes.

Table 4.38: Licence fees

Assumption	Unit	Value	Source
Cost of licence	fee – contrac	ctor	
NSW	\$ per licensee	\$604.63	Based on information provided by NSW regulator on 29 February 2012 Weighted average used for individuals (\$521 for 3,410 licensees), partnerships (\$756 for 191 licensees) and corporations (\$885 for 914 licensees)
Vic (full licence holders)	\$ per licensee	\$308.25	Plumbing Industry Commission, <i>Licensing and registration</i> , www.pic.vic.gov.au/www/html/139-licensing-and-registration-fees.asp Application fee (\$47) and registration fee (\$261.25)
Qld	\$ per licensee	\$1,097.08	IBISWorld 2012, Air conditioning and heating services in Australia, Industry Report (E4233), April Queensland Building Services Authority, Schedule of fees, www.bsa.qld.gov.au/SiteCollectionDocuments/Builders_Contractors/Fact%2 OSheets/Fee%20Schedule.pdf Licence fees are applied according to a contractor's annual turnover. It is assumed for this analysis that the average annual turnover in Queensland is \$577,067. This was calculated by multiplying the total annual revenue in the air-conditioning and heating services industry attributed to non-heating-specific services (70 per cent of \$4.7 billion) by the percentage employed in this industry in Queensland (24.1%) and dividing by the total number of contractor licensees in Queensland (1,374). The average annual turnover equates to a Category 1-3 licence. New licence fees are calculated as an average of individual and company fees. New licence fees for individuals total \$782, including a \$328.65 annual licence fee and a \$453.20 application fee. New licence fees for companies total \$1,412, including a \$658.60 annual licence fee and a \$753.70 application
Cost of licence	fee – full lice	nce holder (occ	fee. upational licensees)
NSW	\$ per licensee	\$192.89	Based on information provided by NSW regulator on 29 February 2012 Weighted average used for qualified supervisor certificate holders (\$193 for 2,507 licensees) and tradesperson certificate holders (\$126 for 4 licensees).
Vic	\$ per licensee	\$341.70	Plumbing Industry Commission, <i>Licensing and registration</i> , www.pic.vic.gov.au/www/html/139-licensing-and-registration-fees.asp Application fee (\$47) and registration fee (\$294.70)
Qld	\$ per licensee	N/A	Workers are not licensed in Queensland. This analysis does not account for gas work licence (hydrocarbon refrigerants) licensees.

Table 4.39: Renewal licence fees

Assumption	Unit	Value	Source	
Cost of renewal licence fee – contractors				
NSW	\$ per licensee	\$544.73	Based on information provided by NSW regulator on 29 February 2012 Weighted average used for individuals (\$521 for 3,410 licensees), partnerships (\$756 for 191 licensees) and corporations (\$885 for 914 licensees)	
Vic (full licence holders)	\$ per licensee	\$261.25	Plumbing Industry Commission, <i>Licensing and registration</i> , www.pic.vic.gov.au/www/html/139-licensing-and-registration-fees.asp Registration fee (\$261.25)	

Assumption	Unit	Value	Source
Qld	\$ per licensee	\$493.62	IBISWorld 2012, Air Conditioning and Heating Services in Australia, Industry Report (E4233), April
			Queensland Building Services Authority, <i>Schedule of fees</i> , www.bsa.qld.gov.au/SiteCollectionDocuments/Builders_Contractors/Fact%20S heets/Fee%20Schedule.pdf
			Licence fees are applied according to a contractor's annual turnover. It is assumed for this analysis that the average annual turnover in Queensland is \$577,067. This was calculated by multiplying the total annual revenue in the air-conditioning and heating services industry attributed to non-heating specific services (70 per cent of \$4.7 billion) by the percentage employed in this industry in Queensland (24.1%) and dividing by the total number of contractor licensees in Queensland (1,374). The average annual turnover equates to a Category 1-3 licence.
			Renewal fees are calculated as an average of individual (\$328.65) and company (\$658.60) one year licence fees in category 1-3.
Cost of renewa	I licence fee	– full licence h	nolder (occupational licensees)
NSW	\$ per licensee	\$0	Based on information provided by NSW regulator on 29 February 2012 Note: The NSW regulator has advised that this fee is under review, but as at March 2012 there is no fee associated with the renewal of worker licences. Despite this, a cost to government of processing renewals of \$59 has been assumed for the purposes of calculating government savings. This cost would cover activities such as sending renewal notices to licensees.
Vic (Registered tradesperson s)	\$ per licensee	\$294.70	Plumbing Industry Commission 2012, <i>Licensing and registration</i> , www.pic.vic.gov.au/www/html/139-licensing-and-registration-fees.asp
Qld	\$ per licensee	N/A	Workers are not licensed in Queensland. This analysis does not account for gas work licence (hydrocarbon refrigerants) licensees.

Processing component of licence fees

Table 4.40: Processing application component of new licence fees

Assumption	Unit	Value	Source		
Processing app	Processing application component of new licence fees				
Processing fee component (other than NSW)	%	54.44%	PricewaterhouseCoopers 2009, Estimating financial impacts of the national occupational licensing system: final report, 2009, p. 24 Based on estimates of the efficient processing component of licence fees from a survey of regulators undertaken in 2009 (specific to licensing of refrigerated air-conditioning occupations). Estimate percentage based on licence processing cost as a proportion of fee revenue.		
NSW – contractors	\$	\$130.96	Based on information received from NSW regulator on 29 February 2012		
NSW – workers	\$	\$74.97	Based on information provided by NSW regulator on 29 February 2012 Weighted average used for qualified supervisor certificate holders (\$75 for 2,507 licensees) and tradesperson certificate holders (\$59 for 4 licensees).		

Table 4.41: Processing application component of renewal licence fees

Assumption	Unit	Value	Source		
Processing app	Processing application component of renewal licence fees				
Processing fee	%	54.44%	PricewaterhouseCoopers 2009, Estimating financial impacts of the national occupational licensing system: final report, 2009, p. 24		
component (other than NSW)			Based on estimates of the efficient processing component of licence fees from a survey of regulators undertaken in 2009 (specific to licensing of refrigerated air conditioning occupations). Estimate percentage based on licence processing cost as a proportion of fee revenue.		
NSW – contractors	\$	\$59	Based on information received from NSW regulator on 29 February 2012		

4.3.1.6 Number of licensees

Total licensees are the addition of contractor/full licence holders and worker/registered tradesperson licensees.

Table 4.42: Number of existing licensees – contractors/full licence holder

Assumption	Unit	Value	Source	
Total existing contractors				
NSW	# licensees	4,515	Unpublished data provided by NSW regulator 29 February 2012 3,410 individual, 191 partnership and 914 corporate contractor licensees	
VIC (Full licence holders)	# licensees	2,245	Unpublished data provided by VIC regulator 23 February 2012. 976 licences in the specialised class of refrigerated air conditioning and 1,269 in the restricted class of refrigerated air conditioning.	
QLD	# licensees	2,178	Based on data provided by Queensland in June 2012. This analysis does not account for gas work licence (hydrocarbon refrigerants) licensees.	

Table 4.43: Number of existing licensees - workers/registered tradespersons

Assumption	Unit	Value	Source		
Total existing li	Total existing licensees – full licence holder (occupational licensees)				
NSW	# licensees	2,511	Unpublished data provided by NSW regulator 29 February 2012 2,507 qualified supervisor certificate holders and 4 tradesperson certificate holders		
VIC (Registered tradesperson s)	# licensees	1,255	Unpublished data provided by VIC regulator 23 February 2012. 719 registrations in the specialised class of refrigerated air conditioning and 536 registrations in the restricted class of refrigerated air conditioning.		
QLD	# licensees	N/A	Refrigerated air conditioning workers are not licensed in Queensland. This analysis does not account for gas work licence (hydrocarbon refrigerants) licensees.		

4.3.1.7 Frequency of renewal of licence

For jurisdictions with the option of a one- or three-year licence term, there is assumed to be no impact from the move to a consistent licence term under national licensing of one or three years. There are, however, a number of other calculations in this cost—benefit analysis that are somewhat affected by the frequency of licence renewal. In these instances, for simplicity, the assumption is that renewals generally occur every three years in jurisdictions that offer licensees a choice of term up to three years.

Table 4.44: Current frequency of renewal - refrigerated air conditioning

Assumption	Unit	Value	Source		
Current freque	Current frequency of renewal (i.e. 'licence period') – contractor				
NSW	years	3 (or 1)	NSW Fair Trading, 2011, Home building fees, http://www.fairtrading.nsw.gov.au/About_us/Our_services/Fees/Home_building_fees.html For the purposes of this analysis, it is assumed that all licensees would adopt a three year licence.		
VIC (Full licence holders)	years	1	Plumbing Industry Commission, <i>Licensing and registration fees</i> , viewed 24 May 2012, < http://www.pic.vic.gov.au/www/html/139-licensing-and-registration-fees.asp>		
Qld	years	1	Queensland Building Services Authority, Schedule of fees, www.bsa.qld.gov.au/SiteCollectionDocuments/Builders_Contractors/Fact% 20Sheets/Fee%20Schedule.pdf		
Current freque	ncy of renewal	(i.e. 'licence p	period') – full licence holder (occupational licensees)		
NSW	years	3	NSW Fair Trading, 2011, Home building fees, www.fairtrading.nsw.gov.au/About_us/Our_services/Fees/Home_building_fees.html		
VIC (Registered tradesperson s)	years	3	Plumbing Industry Commission, <i>Licensing and registration fees</i> , viewed 24 May 2012, < http://www.pic.vic.gov.au/www/html/139-licensing-and-registration-fees.asp>		
QLD	years	N/A	Refrigerated air conditioning workers are not licensed in Queensland. This analysis does not account for gas work licence (hydrocarbon refrigerants) licensees.		

4.3.1.8 Time cost of applying for a licence

Note that this time cost only applies to licences applied for in a licensee's home jurisdiction. Applying for a licence under mutual recognition is assumed to take longer due to additional search costs. The assumptions under mutual recognition are outlined below in 4.3.1.11.

Table 4.45: Time cost of applying for a contractor/full licence holder and worker/registered tradesperson licence

Assumptions	Unit	Value	Source		
Time cost of applying for a licence – all licences					
NSW	Hours per licensee	0.58 hours (35 minutes)	Productivity Commission 2011, Performance benchmarking of Australian business regulation: cost of business registrations, cost of registering a domestic builder, pp. 121, 124 and 125 Includes cost of obtaining information and forms, completing forms, lodging forms, paying fees and attending interviews (if applicable)		
Vic	Hours per licensee	3.83 hours (230 minutes)	Productivity Commission 2011, Performance benchmarking of Australian business regulation: cost of business registrations, cost of registering a domestic builder, pp. 121, 124 and 125 Includes cost of obtaining information and forms, completing forms, lodging forms, paying fees and attending interviews (if applicable)		
Qld	Hours per licensee	0.37 hours (22 minutes)	Productivity Commission 2011. , Performance benchmarking of Australian business regulation: cost of business registrations, cost of registering a domestic builder, pp. 121, 124 and 125 Includes cost of obtaining information and forms, completing forms, lodging forms, paying fees and attending interviews (if applicable)		

4.3.1.9 Time cost of renewing a licence

It is assumed that renewing a licence is less onerous than applying for a new licence. A proxy based on the estimated effort to government (as illustrated by the renewal/new fee differential) has been used for illustrative purposes. The figures below are used to reduce the time component associated with applying for a licence. For example, in New South Wales it is assumed that it takes 31.5 minutes (90 per cent of 35 minutes) to renew a licence.

These percentages also apply under mutual recognition; however, further assumptions apply under mutual recognition and are outlined in 4.3.1.11.

Table 4.46: Percentage of new licence costs incurred on renewal

Assumption	Unit	Value	Source			
Fee differential between	Fee differential between renewal and new licences – contractor					
NSW	%	90%	Based on licence fee data – renewal fee over new licence fee			
Vic	%	85%	Based on licence fee data – renewal fee over new licence fee			
Qld	%	45%	Based on licence fee data – renewal fee over new licence fee			
Fee differential between	en renewal and n	ew licences – full lice	nce holder (occupational licensees)			
NSW	%	90%	Based on contractor licence fee data – renewal fee over new licence fee – as there is no renewal fees set for workers in NSW			
Vic	%	86%	Based on licence fee data – renewal fee over new licence fee			
Qld	%	N/A	Refrigerated air-conditioning workers are not licensed in Queensland This analysis does not account for gas work licence (hydrocarbon refrigerants) licensees.			

4.3.1.10 Transition costs for industry

Under national licensing, transition costs would be imposed on industry. Specifically, licensees would need to understand the changes and how they are affected. Time costs would be incurred either by reading material, attending an information seminar or through some other means.

It is assumed that it would take each licensee 45 minutes to understand the changes, based on advice from the Office of Best Practice Regulation on what a reasonable assumption for this estimate would be in a Consultation RIS. It is assumed that this cost is incurred before the implementation of the national licensing system, in 2012–13. This estimate will be further tested with industry during consultations.

Table 4.47: Industry transaction costs

Assumption	Unit	Value	Source			
Industry transition	Industry transition costs (time to understand national licensing)					
Time	Hours per licensee	0.75 hours	It is assumed it will take 45 minutes per licensee			

4.3.1.11 Mutual recognition

Victoria has indicated that it would typically take less time for a licensee to apply for and renew a licence under mutual recognition compared with the time that would be taken if the licensee resided in their own jurisdiction. However, case studies provided by – and discussions with – the COAG National Licensing Taskforce suggest that in some cases the time to obtain a mutual recognition can far exceed the time to obtain a licence for those residing in a given jurisdiction. This reflects additional search costs and potential delays associated with gaining mutual recognition. For that reason, this analysis assumes that obtaining a mutual recognition licence in a particular jurisdiction takes twice as long as it would for a person residing in that jurisdiction.

Table 4.48: Time cost associated with obtaining mutual recognition licence (multiplication factor)

Assumptions	Unit	Value	Source
Time cost to apply for a new	licence under mutu	al recognition	
Refrigerated air- conditioning	Multiplication factor	2	Assumption based on information provided by the COAG National Licensing Taskforce and from jurisdictional regulators

Case studies provided by – and discussions with – the COAG National Licensing Taskforce suggest that licence applications are more onerous under mutual recognition, including for renewals. for that reason, this analysis has assumed that renewing a mutual recognition licence takes 5 per cent more time than the time taken to renew a licence for those residing in a jurisdiction (over and above the time to apply for a licence – see above).

Table 4.49: Additional time cost upon renewal due to mutual recognition

Assumptions	Unit	Value	Source
Additional time cost due to n	nutual recognition (renewal only)	
Refrigerated air conditioning	% per licence	5%	Assumption based on information provided by the COAG National Licensing Taskforce and from jurisdictional regulators

4.3.1.12 Removal of requirement to hold multiple licences across jurisdictions

Table 4.50: Percentage of licensees domiciled in another jurisdiction

Assumptions	Unit	Value	Source
Percentage of licensees domiciled in another jurisdiction			
NSW	%	3.87%	Unpublished data provided by the COAG National Licensing Taskforce, 27 July 2011. Data provided was consolidated across all occupations.
Vic	%	1.44%	Unpublished data provided by Victoria received January 2012
Qld	%	4.45%	Unpublished data provided by the COAG National Licensing Taskforce, 27 July 2011. Data provided was consolidated across all occupations.

Given that the exact distribution of multiple licence holders across distributions is unknown, migration flows from 2010–11 have been used as a proxy. The percentages have been calculated based on migration numbers provided in Australian Bureau of Statistics 2011, *Australian demographic statistics'*, cat. no. 3101.0, June quarter, Table 19 – Interstate migration 2010–11.

Table 4.51: Estimated distribution of licence holders who hold a licence, domiciled in another jurisdiction

	Jurisdiction in which licence holders are domiciled						
	NSW		Vic	Qld			
Jurisdiction in which the	NSW		24%	42%			
multiple licences are held	Vic	36%		28%			
	Qld	48%	22%				

Note: Based on ABS data as a proxy.

4.3.1.13 Experience requirements

Under national licensing, experience requirements for all refrigerated air conditioning licence holders would be removed, meaning that some licensees could obtain their qualification sooner. For the purposes of this analysis, it is assumed that a wage differential of 50 cents per hour can be attributable to this reform.

The actual experience requirements in each jurisdiction vary. To provide an estimate of the potential benefit, we have assumed a conservative estimate of one year for all jurisdictions. While some jurisdictions may have a longer experience requirement, the methodology used in this analysis is to attribute the benefit across only one year.

Table 4.52: Benefits associated with the removal of experience requirements

Assumptions	Unit	Value	Source				
Assumed wage differential attributable to experience requirement that will be eliminated by removal of experience requirement							
All jurisdictions	\$ per licensee	\$0.50 per hour	Assumption used in this report for indicative purposes				
Years of experience req	Years of experience required						
All jurisdictions (where an experience requirement exists)	Years per licensee	1 year	Assumption used in this report for indicative purposes				
Working hours per year							
All jurisdictions	Hours per licensee	1,800	Assumption based on 7.5 working hours per day, 5 working days per week, 48 working weeks per year				

4.3.1.14 Improved labour mobility

To provide an indication of the potential benefit due to an increase in labour mobility as a result of national licensing, this Consultation RIS draws on the work undertaken in this area by the Productivity Commission. For the purposes of this analysis, the following assumptions have been used to calculate an indicative estimate.

Table 4.53: Increase in real GDP due to national licensing

Assumption	Unit	Value	Source				
Increase in real GDP du	Increase in real GDP due to national licensing						
Increase in real GDP due to full labour mobility	%	0.3%	Productivity Commission 2009, Review of mutual recognition schemes: research Report, Canberra, p. 73.				
Proportion of full labour mobility attributable to national licensing	%	10%	This assumption was made for illustrative purposes and was agreed to in discussions between the Commonwealth Treasury and the Office of Best Practice Regulation.				
			The aim of this estimate is to provide guidance on the potential impact in the context of mutual recognition, which has partly facilitated labour mobility under the base case.				

Table 4.54: Real GDP

Assumption	Unit	Value	Source
Real GDP			
National real GDP in 2011	\$	\$1.335 trillion	Australian Bureau of Statistics 2011, Australian national accounts: national Income, expenditure and product (gross domestic product, chain volume measures), cat. no. 5206.0, Dec, www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5206.0Dec %202011?OpenDocument

Table 4.55: The refrigerated air-conditioning industry as a proportion of Real GDP

Assumption	Unit	Value	Source
Proportion of Real GDP	attributable	to the refrigerated	air conditioning industry
National	%	0.01%	This percentage is based on the total number of refrigerated air conditioning licensees as a proportion of the total number of persons employed in Australia. Total employed persons as at March 2012 was 11.49 million, and there are approximately 12,700 refrigerated air conditioning licensees (see licence numbers above).
			Total employed persons: Australian Bureau of Statistics 2012, Labour force, Australia (Labour force status by sex), Catalogue No. 6202, March
			The benefit of perfect labour mobility estimated by the Productivity Commission was estimated for 'registered workers'. Therefore, it may be more accurate to take refrigerated air-conditioning services as a proportion of registered workers, which would lead to a higher estimate than 0.01%. However, to be conservative, an estimate based on the assumptions above was agreed to in discussions between Commonwealth Treasury and the Office of Best Practice Regulation.

4.3.1.15 Change in qualification requirements

Changes to training requirements

Table 4.56: Changes to training requirements - contractor/full licence holder

Assumptions	Unit	Value	Source			
Training fees						
Vic	\$ per unit hour	\$2.08	NMIT, Fees and charges – VET, www.nmit.edu.au/course_info/local_students/fees/#rpl Victoria University, Enrolment fees and charges, www.vu.edu.au/courses/fees-and-scholarships/enrolment-fees-and-charges			
			Unit hour fees are calculated as the average of NMIT (\$2.00) and Victoria University (\$2.17) fees.			
Training time cost						
Vic	Hours	160	Plumbing Industry Commission, Licence competency requirement, www.pic.vic.gov.au/resources/documents/Licence_Competency_Requirements4.pdf			
			Victoria University, Certificate IV in Plumbing and Services, www.vu.edu.au/courses/certificate-iv-in-plumbing-and-services-cpc40908			
			To pass the licence assessment and move from being a Certificate III registered tradesperson for mechanical services to a full licence holder the following training competency is required:			
			BCPMS4001A – Plan, size and layout heating and cooling systems.			

Table 4.57: Changes to training requirements - unlimited design licensees

Assumptions	Unit	Value	Source			
Training fees						
Qld	\$ per course	\$5,196	RMIT University, TAFE fees for government subsidised places, www.rmit.edu.au/programs/fees/tafe#_Calculating_the_TAFE			
			The assumed cost of completing an extra 1,200 nominal hours of study at the rate of \$4.33 per hour.			
Training time cost						
Qld	Hours	1,200	RMIT University, Advanced Diploma of Engineering Technology, www.rmit.edu.au/browse;ID=C6069			
			Nominal course hours are 1,400, of which a qualified tradesman with a Certificate III can claim 200 hours towards this program.			
Licensees holding an unlimited design licence						
QLD	# of licensees	558	Based on data provided by Queensland in June 2012.			

Changes to business competency training qualifications

Table 4.58: Changes to business training requirements - contractor/full licence holder

Assumptions	Unit	Value	Source
Training fees			

Assumptions	Unit	Value	Source
Vic	\$ per unit hour	\$2.08	NMIT, Fees and charges – VET, www.nmit.edu.au/course_info/local_students/fees/#rpl
			Victoria University, Enrolment fees and charges, www.vu.edu.au/courses/fees-and-scholarships/enrolment-fees-and-charges
			Unit hour fees are calculated as the average of NMIT (\$2.00) and Victoria University (\$2.17) fees.
Qld	\$ per course	\$273	Master Builders Association, <i>Business management course</i> , www.masterbuilders.asn.au/training-and-licensing/courses/non-accredited-courses/business-management-course
			Satellite College, College courses, www.satellitecollege.com.au/#courses
			Institute of Business Excellence, Business management course, www.ibetraining.com/documents/Business_Management_Course_Overvie w_2010.pdf
			Calculated as the average of the course fees for Master Builders Association (\$295), Satellite College (\$235) and Institute of Business Excellence (\$290)
Training time co	sts		
Vic	Hours per course	124	NMIT, Certificate IV in Plumbing, www.nmit.edu.au/courses/certificate_iv_in_plumbing – 124 hours
			Victoria University, <i>Certificate IV in Plumbing and Services</i> , www.vu.edu.au/courses/certificate-iv-in-plumbing-and-services-cpc40908 – 124 Hrs
			Outlines the following time costs for these units
			BCPCM4001A – Carry out work based risk control processes – 24hrs
			BCPCM4002A – Estimate and cost work – 40hrs
			BSBSBM401A – Establish business and legal requirements – 60hrs
			Total extra time required is 124hrs
Qld	Hours per course	15	Master Builders Association, <i>Business management course</i> , www.masterbuilders.asn.au/training-and-licensing/courses/non-accredited-courses/business-management-course – 2 Days
			Institute of Business Excellence, <i>Business management course</i> , www.ibetraining.com/documents/Business_Management_Course_Overvie w_2010.pdf – 2 days
			Business management courses require two days attendance. One day is assumed to be 7.5 hours.

4.3.1.16 Introducing worker licences in Queensland

The fees estimated in Table 4.59 do not represent the exact fees necessarily expected under national licensing. These fees were calculated in order to provide an indicative estimate of the introduction of worker licences in Queensland.

 $Table\ 4.59: Number\ of\ licensees\ and\ fees\ payable\ by\ workers\ in\ Queensland\ under\ national\ licensing$

Assumptions	Unit	Value	Source		
Number of worker licensees					
Qld	Number of licensees	4,000	Queensland estimate, provided in June 2012.		
New licence fee for workers					

Assumptions	Unit	Value	Source
Qld	\$ per licensee	\$332	Based on the fees for fire occupational licensees. A new fire occupational licence is only offered as a one year licence. As a three year licence would be offered under national licensing, the fee assumed for this analysis is the three year licence fee component of the renewal fee (\$238.45) plus the initial application fee for a one year licence (\$93.55).
Renewal licence fee	for workers		
Qld	\$ per licensee	\$238.45	Based on the fees for fire occupational licensees. Renewal fee for a three year licence.

4.3.1.17 Introducing contractor licences in Victoria under national licensing

Table 4.60: Number of business contractor licensees under national licensing

Assumptions	Unit	Value	Source		
Number of business contractor licensees expected under national licensing					
Vic	Number of licensees	1,134	Prorated from total Victorian licensees, based on the proportion of contractor licensees that are businesses in New South Wales.		

4.3.1.18 Increasing contractor licences in Queensland under national licensing

Table 4.61: Increase in contractor licensees

Assumptions	Unit	Value	Source
Percentage increase in contractors expected un			nder national licensing
QLD	%	25%	Queensland estimate, provided in June 2012.

4.3.1.19 Number of 'worker' licences removed under partial regulation

Table 4.62: Number of licensees no longer required to obtain a licence

Assumptions	Unit	Value	Source
Number of 'worker' licensees			
NSW	Number of licensees	2,511	The number of worker licensees, as outlined above.
Vic	Number of licensees	1,251	Given that all licensees can contract with the public in Victoria even if they choose not to, the proportion that are likely not to contract under national licensing model B is based on the proportion of workers to total licensees in NSW. This proportion (35.74%) is applied to the total number of licensees in Victoria (3,500).

4.3.1.20 Changes to personal probity requirements

Table 4.63: Changes to personal probity for contractor/full licence holder

Assumptions	Unit	Value	Source		
Changes to personal	Changes to personal probity for contractor/full licence holder				
NSW	Minutes per licensee	10	Fit and proper checks were identified as a requirement for refrigerated air conditioning operators in NSW by the COAG National Licensing Taskforce in undertaking a mapping exercise which identified the differences between state and territory licensing requirements and the requirements proposed under national licensing.		
			It is assumed that it would take 10 minutes to disclose information in order to meet the declaration required. It is expected that some individuals will take less than 10 minutes (i.e. if they do not have anything to disclose), and some may take longer (i.e. if they have many items to disclose). This variation is accounted for by using an average figure.		
Vic	Minutes per licensee	20	Assumption based on the requirement to be a 'Fit and proper person'. It is assumed that this requirement would be met by providing two references. Fit and proper checks were identified as a requirement for refrigerated air conditioning operators in VIC by the COAG National Licensing Taskforce in undertaking a mapping exercise which identified the differences between state and territory licensing requirements and the requirements proposed under national licensing.		
			Based on a PwC study, it is estimated that 30 minutes is required for an applicant to obtain a passport photo and two written references (PwC, 'Private Security Regulations 2005: Regulatory Impact Statement', April 2005, page 29). In the absence of any other information, we have assumed that two thirds of this cost is attributable to obtaining 2 written references (ie 20 minutes).		

4.3.1.21 Duplicate testing in Victoria

Based on advice from the Victorian Plumbing Industry Commission, it is assumed that all applicants must complete one assessment. The commission advised that licensees generally only undertake either the registration or licence exam. For the purpose of this analysis we have assumed that each applicant will sit a three-hour test (based on the time to complete the licence exam as no information on the time to complete a registration exam was found on the Plumbing Industry Commission's website), and an average fee across the two common tests has been applied.

Table 4.64: Removal of duplicate testing requirements in Victoria

Assumptions	Unit	Value	Source
Time cost for all new licensees			

Assumptions	Unit	Value	Source
Time to sit test	Hours per licensee	3 hours	Plumbing Industry Commission, <i>Licence (theory) test,</i> www.pic.vic.gov.au/www/html/158-theory-exam.asp Note that no time information was provided on the commission's website for the registration exam, so the time to sit the licence exam has been used.
Fees payable for all new licensees			
Fee for test	\$ per licence	\$97.68	Average of the fee payable for the licence exam and registration exam.
			Licence exam – \$143.15:
			Plumbing Industry Commission, <i>Licence (theory) test,</i> www.pic.vic.gov.au/www/html/158-theory-exam.asp
			Registration exam – \$52.20:
			Plumbing Industry Commission, Licensing and registration fees, www.pic.vic.gov.au/www/html/139-licensing-and-registration-fees.asp

4.3.1.22 Government communications costs

It is assumed that regulators will incur communications costs associated with the new national licensing framework. Consumer Affairs Victoria recently undertook a communications exercise with state-based changes to real estate regulations. This communications exercise cost between \$300,000 and \$350,000, based on 22,000 licences and included:

- direct communications (up to two letters)
- metropolitan and regional meetings with licensees (six to 10 meetings)
- website content and social media
- temporary call centre staffing
- a public information campaign
- industry and public campaign management.

In the absence of other information, it is assumed that similar communications costs will be faced by the jurisdictions of New South Wales, Victoria and Queensland.

Due to the small size of the refrigerated air-conditioning industry, it has been assumed that only 50 per cent of these costs will be incurred under model A (full licensing) and model B (partial licensing). The costs incurred under the no licensing (except for the Commonwealth Arctick licence) option have been reduced further than under models A and B to 25 per cent of the original cost to account for the fact that only limited communications would be required under a no licensing (except for the Commonwealth Arctick licence) option.

Table 4.65: One-off communications costs

Assumptions	Unit	Value	Source
One-off communications costs – model A (full licensing) and model B (partial licensing)			
NSW	\$ per jurisdiction	\$162,500	Assumption based on unpublished information provided by
Vic	\$ per jurisdiction	\$162,500	Consumer Affairs Victoria, March 2012 Due to the size of the refrigerated air-conditioning industry, it is
Qld	\$ per jurisdiction	\$162,500	assumed that only 50 per cent of the assumed communications costs will be incurred for these models.

Assumptions	Unit	Value	Source	
One-off communication costs –no licensing (except for the Commonwealth Arctick licence)				
NSW	\$ per jurisdiction	\$81,250	Assumption based on unpublished information provided by	
Vic	\$ per jurisdiction	\$81,250	Consumer Affairs Victoria, March 2012 The costs incurred under the no licensing (except for the	
Qld	\$ per jurisdiction	\$81,250	Commonwealth Arctick licence) option have been reduced further than under models A and B to 25 per cent of the original cost to account for the fact that only limited communications would be required under a no licensing (except for the Commonwealth Arctick licence) option.	

4.3.1.23 Government operating costs associated with the licensing authority

The National Occupational Licensing Authority Budget 2012–2015 as agreed by the Ministerial Council for Federal Financial Relations on 7 April 2011, reflects the costs to government of establishing the licensing authority. These costs were allocated to each jurisdiction (based on agreed percentages).

The costs to government of establishing the licensing authority will be apportioned to each occupation under national licensing (including the first and second tranche of occupations and the potential harmonisation of conduct requirements). It is assumed that the first tranche of occupations (plumbing and gasfitting, property, electrical, and refrigeration and air-conditioning mechanics) will be apportioned 50 per cent of these costs (30 per cent will be apportioned to building occupations, and 20 per cent will be apportioned to the potential harmonisation of conduct requirements).

In the absence of any other information, it is assumed that there will be three years of transition costs (based on the National Occupational Licensing Authority Budget 2012–15) and then ongoing costs associated with the licensing authority. It is assumed that the fourth-year costs represented in the licensing authority budget are representative of the ongoing costs per annum.

Assumptions relating to the expected costs of the licensing authority, as agreed by the Ministerial Council for Federal Financial Relations, include:

- 34 (full time equivalent) staff (2 APS3, 1 APS5, 14 APS6, 11 EL1, 5 EL2, 1 SES2)
- employee benefits including superannuation of 15.4 per cent and long service leave of 2.6 per cent
- an on-cost multiplier of 1.73
- a one-off establishment cost (incurred in the first year of implementation only) of \$3.05 million
- national licensing register costs associated with the implementation of the licensing authority
- meeting costs.

Table 4.66: Government operating costs associated with the licensing authority

Assumption	Unit	Value	Source
Total costs to governm	nent ^a (annual	overall licensing	authority budget)
Total cost 2011–12	\$ per	\$6,633,724	The cost in 2011–12 is assumed to be a transition cost.
	annum		Revised draft National Occupational Licensing Authority Budget 2011–12 and 2012–13 as at 3 May 2012.
			Unpublished, provided by COAG National Licensing Taskforce, 8 May 2012.
			Based on the revised budget value for 2011–12.
Total cost 2012–13	\$ per annum	\$10,752,523	This includes transition costs of \$2,733,542 and ongoing costs of \$8,018,981.
			Based on estimates in the Revised draft National Occupational Licensing Authority Budget 2011–12 and 2012–13 as at 3 May 2012 (unpublished, provided by COAG National Licensing Taskforce, 8 May 2012) and the National Occupational Licensing Authority Budget 2012–15 as agreed by the Ministerial Council for Federal Financial Relations on 7 April 2011 (unpublished, provided by COAG National Licensing Taskforce, 13 March 2012).
			Based on the estimated budget for 2013–14 in the National Occupational Licensing Authority Budget 2012–15 (\$8,412,485), with the addition of the licensing authority establishment cost estimated in the revised draft National Occupational Licensing Authority Budget 2011–12 and 2012–13 (\$2,340,038).
Total cost 2013–14	\$ per annum	\$8,031,010	This includes transition costs of \$12,029 and ongoing costs of \$8,018,981.
			National Occupational Licensing Authority Budget 2012–15 as agreed by the Ministerial Council for Federal Financial Relations on 7 April 2011
			Unpublished, provided by COAG National Licensing Taskforce, 13 March 2012
			Based on the budget for 2013–14
Ongoing costs per annum	\$ per annum	\$8,018,981	National Occupational Licensing Authority Budget 2012–15 as agreed by the Ministerial Council for Federal Financial Relations on 7 April 2011
(based on total costs in 2014–15)			Unpublished, provided by COAG National Licensing Taskforce, 13 March 2012
			Based on the budget for 2014–15
Assumed split of gove	rnment costs	by stages of natio	onal licensing
Stage 1	%	50%	Assumption based on discussions with COAG National Licensing Taskforce
			Stage 1 includes first tranche of occupations – property, plumbing and gasfitting, electrical, and refrigeration and air-conditioning mechanics
Stage 2	%	30%	Assumption based on discussions with COAG National Licensing Taskforce
			Stage 2 includes second tranche of occupations – building occupations

Assumption	Unit	Value	Source
Stage 3	%	20%	Assumption based on discussions with COAG National Licensing Taskforce Stage 3 includes potential changes to conduct requirements
Assumed split by occupation (for licensing authority costs to government)			
Property	%	28%	Assumption based on advice from COAG National Licensing
Electrical	%	35%	Taskforce
Plumbing and gasfitting	%	35%	
Refrigeration and air- conditioning	%	2%	

a Note that the model calculations strip out the indexation assumptions beyond 2012 as results are presented in 2012 dollars (real).

Table 4.67: Proportion of costs attributable to each jurisdiction

Assumption	Unit	Value	Source		
Proportion of National Occupational Licensing Authority operating costs and the IT systems implementation costs attributable to each jurisdiction					
NSW	%	59.04%	Unpublished data provided by COAG National Licensing		
Vic	%	29.41%	Taskforce, 'National Occupational Licensing Authority Budget 2011–12 to 2014–15'.		
Qld	%	11.55%			

4.3.1.24 National licensing register costs

It is estimated that each jurisdiction will incur implementation costs associated with the establishment of the national licensing register.

The estimated costs associated with the modification, upgrade or purchase of jurisdictional administration systems incurred by each jurisdiction in order for it to provide the required data for the national licensing register as well as to accept the national licence number was initially estimated at \$5 million to \$10 million.

Based on advice received from the COAG National Licensing Taskforce these estimates were reduced to ensure that they only captured the jurisdiction-based implementation costs associated with establishing the national licensing register.

To ensure that the costs were not overestimated, they were reduced by 50 per cent (that is \$2.5 million to \$5 million), with the lower bound assumed for small jurisdictions. These costs have been apportioned to each occupation under national licensing. For example, the refrigeration and airconditioning occupations are apportioned 2 per cent of the costs faced in Victoria (2 per cent of \$5 million = \$0.1 million).

New South Wales has suggested that its estimated costs will be \$2 million due to the new system being based on the NSW Government Licensing System.

Table 4.68: Implementation cost of the National Licensing Register

Assumption	Unit	Value	Source		
Implementation cost of the National Licensing Register					
NSW	\$ per jurisdiction	\$2 million	Assumption based on unpublished data provided by		
Vic	\$ per jurisdiction	\$5 million	COAG National Licensing Taskforce, 'COAG NLS Taskforce analysis for the estimated costs to implement the National Licensing Register – July 2011'		
Qld	\$ per jurisdiction	\$5 million	NSW estimate provided by NSW regulator February 2012		
Assumed split of Go	overnment costs by sta	ges of National Lice	nsing Register		
Stage 1	%	50%	Assumption based on discussions with COAG National Licensing Taskforce		
			Stage 1 includes first tranche of occupations – property, plumbing and gasfitting, electrical, and refrigeration and air-conditioning mechanics		
Stage 2	%	30%	Assumption based on discussions with COAG National Licensing Taskforce Stage 2 includes second tranche of occupations – building occupations		
Stage 3	%	20%	Assumption based on discussions with COAG National Licensing Taskforce Stage 3 includes potential changes to conduct requirements		
Assumed split by o	ccupation				
Property	%	28%	Assumption based on advice from COAG National		
Electrical	%	35%	Licensing Taskforce		
Plumbing and gasfitting	%	35%			
Refrigeration and air-conditioning	%	2%			

5 Implementation

5.1 Implementation of national licensing

Administrative responsibility for national licensing would be undertaken by the National Occupational Licensing Authority, which has been established in Sydney. The licensing authority is a statutory authority, governed by a board of up to 10 members, including an independent chair, and reporting to a ministerial council, initially the Standing Council for Federal Financial Relations. The role of the licensing authority is to develop consistent national policy for obtaining a licence and to administer the national system. In doing this, it must consult with stakeholders in relevant occupational areas and establish occupational licence advisory committees. During the implementation phase, the licensing authority would regularly consult with a jurisdictional reference group on issues that arise regarding the implementation of the national system and on progress with the development of licence policy.

Under the Occupational Licensing National Law Act 2010 (National Law), the licensing authority would delegate its responsibility for the operation of licensing services to nominated regulators in each state or territory that has adopted the National Law. Service agreements would be used to establish consistent licence requirements and service delivery standards for national licensing arrangements across jurisdictions. Licence holders and applicants would therefore continue to interact with regulatory offices in their home jurisdiction in most instances, which would help minimise the costs of implementing national licensing.

National licensing would not encompass the standards and behaviour (conduct) of licensees once they had obtained a licence. These, together with compliance and enforcement, would remain the responsibility of states and territories. However, the National Law would provide for certain grounds for disciplinary action to be taken and for the full range of disciplinary action that can occur. Breaches of jurisdictional conduct requirements may also have an outcome on the licence. All disciplinary outcomes that affect a licence would be recorded on the national licensing register.

5.2 Transitional arrangements

5.2.1 Deeming of current licence holders

The Intergovernmental Agreement for a National Licensing System for Specified Occupations provides for deeming arrangements for current licence holders to transition to the national licensing scheme. Any licensee who is deemed into the scheme is considered to fulfil the skills-based requirements needed for continuing eligibility while they continue to hold that licence. Current jurisdictional licensees will be transitioned into the national licensing system based on the following deeming principles:

- 'No disadvantage— all current holders of state and territory licences will be able to do tomorrow, under national licensing, what they are able to do today. The deeming process will authorise a licensee to do a similar scope of work under national licensing to that authorised under a corresponding current jurisdictional licence where that scope of work continues to be licensed.
- Current licensees will not be required to undertake any additional training or testing to be eligible for the relevant national licence category.
- A jurisdiction will not be required to adopt a national licence category that is not currently regulated by that jurisdiction when national licensing commences, in accordance with clause 4.2(f) of the intergovernmental agreement.

- Some aspects or areas of work currently requiring a licence will not be regulated work under national licensing, and a licence will no longer be required for that work.
- Adoption of a 'best fit' approach –some licences will not have a direct equivalent and a current category may map to more than one future category or a category plus an endorsement.
 Alternatively, some categories may have a scope of work that is significantly less than that proposed for a national licence, and conditions or restrictions may be applied to achieve a best fit. It is necessary to apply restrictions and conditions to ensure that licensees are not transitioned to licences that would allow them to undertake a wider scope of work than their current licences allow, as this could pose an unacceptable safety risk to themselves and the community.

Each jurisdiction has undertaken a process to map straightforward, like-to-like equivalences of jurisdictional licences to the relevant national licence category or categories. This mapping, which covers some 80 per cent of current jurisdictional licences, will be incorporated into the jurisdictional transitional legislation.

The exception to this is licensees who have conditions or directions applied as a result of disciplinary action; in these cases, the licence will be transitioned 'as is'.

Following is information on the deeming of jurisdictional licences under specific circumstances.

5.2.2 Administrative transactions that were initiated before the commencement of the national begins

All applications for the issue, renewal or restoration of a licence lodged before the national licensing commencement date will continue to be assessed under the relevant jurisdictional licensing legislation in place immediately prior to the commencement of national licensing. The licence will then be transitioned to national licensing as outlined in 5.2.1.

5.2.3 Disciplinary and court processes and actions that were initiated before national licensing begins

All applications lodged in relation to disciplinary and court processes and actions, including internal reviews, before the national licensing commencement date will continue to be assessed under the relevant jurisdictional licensing legislation in place immediately prior to the commencement of national licensing. The decision will take effect as though it was made under the National Law. If a decision is made under the old law for the disciplinary action and an appeal within the given appeal period has not been made at the time when national licensing commences, the right to appeal will continue under the old law.

5.2.4 Transitioning suspended licensees

All licensees suspended under relevant jurisdictional licensing legislation will continue to remain suspended until the suspension expires and during the period of suspension will not be able to operate in any jurisdiction.

5.2.5 Transitioning disqualified licensees and cancelled licences

A person who currently has a cancelled licence, as a result of a disciplinary action, for a specific occupation and licence type in any jurisdiction but a valid licence in another jurisdiction, for the same category of licence, would not be transitioned to a national licensing system licence if the period of the cancellation has not expired or was made in the last two years. Under the new law this person would be treated as an excluded person nationally until the cancellation or disqualification period expired. It is recognised that this may be taking away a person's right; however, this is a

fundamental part of the design of the system, which is aimed at protecting public safety and the consumer.

5.2.6 Eligibility for those who initiated training before national licensing begins

An applicant who completes a qualification or course that was required immediately before the commencement of the *Occupational Licensing National Law Act 2010* has met the skill based eligibility requirements provided that, immediately before the commencement date, the applicant was enrolled in the course or program for the issue of a jurisdictional licence..

5.2.7 Eligibility for those who completed training before national licensing begins

An applicant who completes a qualification or course that was required in a jurisdiction immediately before the commencement of the National Law for a jurisdictional licence will be deemed to have met the skills-based eligibility requirement for a national licence for the period of three years from commencement of national licensing for that occupation.

A person holding a qualification not recognised under national licensing should seek advice from the licensing regulator in that jurisdiction about the possibility of obtaining a national licence. A person moving to jurisdiction where a national licence will be required to undertake the type of work they do, and who does not hold a qualification, will need to contact the licensing authority for details on how to apply for the licence. Options will include seeking recognition of prior learning from a registered training organisation. The interim advisory committee proposed that a national skill and knowledge currency test should be developed and applied in these circumstances.

Question: In transitioning to national licensing, some qualifications that currently qualify applicants for a jurisdictional licence will not qualify an applicant for the equivalent national licence.

Do you agree that these qualifications, if started before the commencement of national licensing, should be deemed to satisfy the skills based eligibility requirements for the equivalent national licence (as is proposed under national licensing)?

Question: Further to the previous questions, it is proposed that an individual who completes such a qualification immediately before the commencement of national licensing will have three years to apply for a national licence. After this three year period, measured from the commencement of national licensing, these 'superseded' qualifications will no longer be deemed to satisfy the skills based eligibility requirements for a national licence.

Do you agree with this proposal?

5.2.8 Lapsed licences

A licence that has lapsed within the restoration period provided in current jurisdictional legislation preceding the commencement of national licensing will be restored under the old law and deemed to an equivalent licence under the National Law.

Question: If your licence lapsed before the commencement of national licensing (meaning you would not have transitioned to a national licence), the proposed grace period for applying for an equivalent national licence will be the same as the current restoration arrangements in the jurisdiction that issued your licence (if any).

Do you agree with this proposal?

Note: After the commencement of national licensing, the proposed grace period to restore a lapsed licence is three months. A licensee can only restore their licence if the restoration period ahs not expired.

5.2.9 Current trainees for a restricted licence

A person in training for a restricted licence that would have been granted under current jurisdictional legislation, but that will not exist under the national licensing system, will be eligible to apply for a licence with limitations on the scope of work that make it equivalent to the former jurisdictional restricted licence for a period of up to 12 months following completion of their training.

Certain restricted licence categories will be discontinued under national licensing. Do you agree that a grace period of 12 months should be provided in which an individual that qualified for a discontinued licence will be deemed eligible for an equivalent national licence (with limitations on the scope of work)?

Note: The grace period will be measured from completion of the outdated restricted licence qualification. The qualification must have been commenced before the start of national licensing.

5.3 Notification

Prior to the commencement of national licensing for the refrigeration and air-conditioning occupations, licensees will be advised by letter of the national licence they will hold following commencement. Licensees will have the opportunity to discuss any concerns they may have with their proposed national licence. It should be noted that current state and territory licences will be considered a national licence when licensing commences for that occupation.

5.3.1 Issuing of new national licence documentation

Under national licensing, it is proposed that new national licence documents would be provided to licensees at the time of renewal (rather than on commencement of national licensing). However, some jurisdictions may have the capacity to issue new licence documentation to all licensees on the commencement date of national licensing for that occupation. Licensees will be advised by their jurisdictional regulator as to when a national licence document will be made available.

Most licence holders will retain their existing licence document until its expiry date. On renewal, a national licence document would then be issued. It is proposed that licensees who have had changes to their licence category would be issued with a national licence document at the commencement of national licensing. It is anticipated that licensees who wish to obtain a national licence before the renewal date should be able to do so.

A new national licence numbering scheme is proposed where a unique national licence number would be assigned to each licensee that transitions to national licensing and to each new licensee after the system commences. The national system would identify each entity once only in the licensing database. It is also proposed that an individual, persons in a partnership or company should be able to hold multiple occupational licence categories under this single national licence number.

The proposed national licensing register would have the capacity to search for a licensee's new national licence number and all previously generated licence numbers.

There will be a five year transitional period, by which time all licensees would be required to use their national licence number for advertising, marketing and identification purposes, and a licensee's previous state or territory licence number/s, cards and certificates could no longer be used.

5.3.1.1 Format of licence documentation

A combination of cards and certificates are currently issued by the jurisdictions. It was observed that the quality of cards and certificates varies greatly between jurisdictions. Commonly for the property licensees, only a certificate is produced. Cards for the other occupations vary greatly, ranging from laminated cardboard to high-quality cards produced to a similar standard to a driver's licence with photographic identification.

The National Law allows for an approved form of a national licence. One option proposed that the licensing authority or its delegates (existing jurisdictional regulators) would issue:

- a licence card (similar to a driver's licence in size and content) for identification purposes when engaging with members of the public, employers or regulators
- a licence certificate to corporate entities.

Currently, most jurisdictions, for some of the occupations, can issue a licence card with a photo. For example, Victoria, Queensland and the Northern Territory issue licence cards with photos for the plumbing occupations only. South Australia and Tasmania issue them to all the trade occupations. However, under national licensing, the licensing authority would set the minimum requirements for standard national licence documents, and jurisdictions would be required to issue national licences that comply with the requirements.

Note that the inclusion of photo identification on an individual's licence card would probably increase the cost of a licence where it is not currently provided by state-based regulators. It is possible that the cost of a photo licence could be minimised with the economy of scale of all participating jurisdictions.

5.4 Communications strategy for national licensing

Consultation about national licensing has been ongoing with a range of stakeholders including state and territory governments, industry, employer and union representatives and internal working groups. As with any change to regulations, a communication awareness campaign will need to be undertaken to ensure licensees, consumers and other stakeholder are informed of changes that may affect them once the new system is implemented.

There should be two levels of an awareness campaign for national licensing; one at a jurisdictional level and one at a national level.

A jurisdictional campaign could include the following activities:

- direct communications (letters/ emails)
- metropolitan and regional meetings with licensees
- website content and social media

- · temporary call centre staffing
- a public information campaign
- industry and public campaign management.

An estimate drawing on a Victorian campaign of a similar scale to that suggested above is approximately \$300,000 to \$350,000, and is based on approximately 22,000 licensees. The impact analysis in Chapter 4 includes a qualitative estimate of the communications costs for governments during the transition period.

At the national level, the licensing authority would assist with the communication process by ensuring consistency of messaging through the <u>licensing authority website</u> (www.nola.gov.au), media releases and other media and social avenues. The licensing authority board and the chief executive officer could be expected to consult with:

- ministers and governments
- business and industry bodies
- other peak bodies, which would include employee associations.

5.5 Review

The Ministerial Council will initiate an independent public review of the operation of the national licensing system (including the legislation establishing the system), in accordance with the guidelines established by the Office of Best Practice Regulation, not earlier than five years from the commencement of the national licensing system and every 10 years thereafter. The Ministerial Council will set the terms of reference for the review.

Attachment A – Submission process

The COAG National Licensing Steering Committee is seeking input from stakeholders and the wider public on the proposals outlined in this Consultation RIS. The Consultation RIS is subject to a minimum six-week consultation period, and the steering committee welcomes feedback on the proposed options for implementation and any other aspect of the document.

The closing date for submissions to this Consultation RIS is # # 2012. The closing date may be extended; please check the <u>national licensing website</u> (www.nola.gov.au) for information.

How to provide a submission

Online survey feedback

An <u>online submission survey response is available</u> through the following link https://www.surveymonkey.com/s/National Licensing RACM RIS Feedback, and this is the preferred option for providing submissions. The survey takes the user through a series of questions that have been drawn from the Consultation RIS. Each question includes a page reference to help direct the user to the relevant discussion in the RIS. The feedback received through this process will assist in shaping a national occupational licensing schema for the electrical occupations. Your time in providing a response is appreciated.

If you are unable to use the in-line submission survey, a paper based submission will be accepted using the template provided on the <u>national licensing website</u> (<u>www.nola.gov.au</u>). Paper submissions can be lodged as follows:

By email:

info@coagskillstaskforce.gov.au

By mail:

COAG National Licensing Taskforce
Department of Innovation, Industry, Science, Research and Tertiary Education
GPO Box 9839
16 Mort St
Canberra City ACT 2600

Stakeholders should indicate if their submission is confidential and/or clearly indicate sections that may contain confidential or sensitive information that is not for publication. With this exception, all submissions will be published on the website.

Attachment B – Key changes to existing jurisdictional licensing arrangements

New South Wales

Some general differences would apply to new individual worker licence applicants when compared to current licensing arrangements, including:

- removal of personal probity checks and health and fitness checks,
- removal of tradesperson licence
- removal of two licence categories
- inclusion of financial probity checks for individual worker licences in relation to payment of penalties or fines.

Table B.1: Differences by licence category - New South Wales

Proposed national licence (occupational) categories, eligibility and other requirements	Current licence categories, eligibility and other requirements
Refrigeration and Air-conditioning Certificate III Financial probity checks in relation to payment of penalties or fines Skills maintenance on an as-needed basis Three-year licence duration	Air-conditioning work Removed requirements: • personal probity checks; • health & fitness checks; • age requirements; and New requirements: • financial probity checks in relation to payment of penalties or fines. Refrigeration work Removed requirements: • personal probity checks, • health & fitness checks, • age requirements; and New requirements: • financial probity checks in relation to payment of penalties or fines Air-conditioning work and refrigeration work
	Removed requirements: • personal probity checks, • health & fitness checks, • age requirements; and New requirements: • financial probity checks in relation to payment of penalties or fines.
Refrigeration and air-conditioning licence restricted to heat pump and split systems installation Certificate II Financial probity checks in relation to payment of penalties or fines Skills maintenance on an as-needs basis	Air-conditioning work (single head/split system only) Removed requirements: personal probity checks health and fitness checks age requirements New requirement: financial probity checks in relation to payment of penalties or fines

Proposed national licence (occupational) categories, eligibility and other requirements	Current licence categories, eligibility and other requirements
Three-year licence duration	
Contractor	Endorsed Contractor Certificate
Personal probity	Removed requirements:
Financial probity	health and fitness checks
Nominee	minimum age requirement
Provisional Refrigeration and Air-conditioning	Substantially the same
Offshore Technical Skills Record	

Victoria

In Victoria, to become registered or licensed in a specialised class of plumbing (refrigeration and air-conditioning), an individual is required to be eligible for a licence in the relevant main class in this case, mechanical services plumbing. This is in effect an endorsement. There is also a requirement to hold a restricted electrical licence.

There are some general differences that would apply to new individual worker licence applicants when compared to current licensing arrangements. These include:

- a requirement to introduce a contractor licence
- the removal of the requirement to hold a mechanical services plumbing licence to obtain a refrigeration and air-conditioning endorsement
- the removal of the registration level of licence
- the removal of two restricted licences
- the removal of additional testing where required
- the removal of personal probity checks, evidence of experience and mandatory skills maintenance requirements
- at the tradesperson level, the removal of the option for the regulator to issue a provisional registration in a single category where an applicant has not met the qualification requirements other than those who have met the agreed Offshore Technical Skills Record standards
- the inclusion of financial probity checks for individual worker licences in relation to payment of penalties or fines
- the introduction of a separate contractor level licence currently licence holders can contract with the public
- the removal of regulation for ducting as regulated work under mechanical services.

Table B.2: Differences by licence category - Victoria

Proposed national licence (occupational)	Current licence categories, eligibility and other requirements
categories, eligibility and other requirements	

Proposed national licence (occupational) categories, eligibility and other requirements	Current licence categories, eligibility and other requirements
Refrigeration and Air-conditioning	Mechanical Services Plumbing licence endorsed: specialist class Refrigerated air-conditioning
Financial probity checks in relation to payment	Removed requirements:
of penalties or fines	requirement to hold a mechanical services licence
Skills maintenance on an as-needed basis	personal probity checks
Three-year licence duration	evidence of experience
	retesting where required
	mandatory skills maintenance requirements
	New requirement:
	financial probity checks in relation to payment of penalties or fines
Refrigeration and air-conditioning licence restricted to heat pump and split systems installation	Mechanical Services Pluming licence or Mechanical Services Plumbing restricted licence endorsed: Refrigerated air-conditioning – Restricted to Intermediate Systems
Certificate II	Removed requirements:
Financial probity checks in relation to payment	requirement to hold a mechanical services licence
of penalties or fines	personal probity checks
Skills maintenance on an as-needed basis	evidence of experience
Three-year licence duration	retesting where required
	mandatory skills maintenance requirements
	New requirement:
	financial probity checks in relation to payment of penalties or fines
	Mechanical Services Plumbing licence or Mechanical Services Plumbing restricted licence endorsed: Refrigerated air-conditioning – Restricted to Basic Systems
	Removed requirements:
	requirement to hold a mechanical services licence
	personal probity checks
	evidence of experience
	health and fitness checks
	retesting where required
	mandatory skills maintenance requirements
	New requirement:
	financial probity checks in relation to payment of penalties or fines
Contractor	Contractors not licensed; licence holders are allowed to contract with the
Personal probity	public
Financial probity	
Nominee	
Provisional Refrigeration and Air-conditioning Offshore Technical Skills Record	Provisional licences will only be issue to offshore or onshore migrants. Current Victorian arrangement provide for the issuing of licences to local residents who have not met the qualification requirements to obtain a registration

Queensland

In Queensland licensing of the refrigeration and air-conditioning occupations is at the contractor licence level as part of an overarching refrigeration, air-conditioning and mechanical services licence. No occupational licence is issued. Under national licensing, there would be a refrigeration and air-

conditioning licence (which covers work involving refrigerants) and a mechanical services licence (which covers ventilation, heating and cooling of buildings and which does not involve refrigerants). This mechanical services work would be licensed under a separate national licence issued in the plumbing and gasfitting occupation.

There is currently the requirement to have a nominee supervisor who would be required to meet normal licensing requirements for a trade contractor and must meet the technical, managerial and experience requirements to obtain a licence. Under national licensing, a contractor must have a nominee, and it is proposed this nominee be the holder of a refrigeration and air-conditioning licence or the restricted refrigeration and air-conditioning licence restricted to heat pump and split systems installation.

Queensland currently requires a licence for the handling of hydrocarbons and issues a gas work licence (hydrocarbon refrigerants), which is required for a person who installs, commissions and services domestic and commercial refrigeration units along with split system and other airconditioners in that jurisdiction. Queensland is the only jurisdiction to issue such a licence.

Some general differences would apply to new individual worker licence applicants when compared to current licensing arrangements, including:

- the introduction of separate refrigeration and air-conditioning licensing for individuals currently contractor licensing only
- the removal of managerial qualifications for nominees and contractors
- the inclusion of financial probity checks for individual licences in relation to payment of penalties or fines
- a reduction of the extent of financial probity checks as a licence eligibility requirement for contractors (noting that compliance with Queensland's home warranty insurance scheme and 'financial requirements for licensing' will become a conduct requirement for any nationally licence holder operating in Queensland)
- the removal of criminal history checks and evidence of experience for nominees
- the removal of mechanical services, ducting and design from the scope of work noting that
 ducting and design will become unlicensed work, while mechanical services will become
 regulated plumbing work (under the proposed mechanical services plumbing licence)
- a reduction in qualifications for licences (a Diploma in Engineering (Refrigeration and Airconditioning) or Advanced Diploma of Refrigeration and Air-conditioning Engineering is required to obtain the currently Refrigeration, Air-conditioning and Mechanical Services Including Unlimited Design licence in Queensland)
- the removal of the requirement to hold a gas work licence (hydrocarbons).

Table B.3: Differences by licence category - Queensland

Proposed national licence (occupational) categories, eligibility and other requirements	Current licence categories, eligibility and other requirements
Refrigeration and Air-conditioning	Not licensed in this jurisdiction
Certificate III	In Queensland a licence is only required for the contracting of
Financial probity checks in relation to payment of penalties or fines	refrigeration and air conditioning work, which is not licensed at an occupational level.
Skills maintenance on an as-needed basis	The Queensland Government is yet to make a decision regarding the
Three-year licence duration	introduction of new licences.

Proposed national licence (occupational) categories, eligibility and other requirements	Current licence categories, eligibility and other requirements
Refrigeration and air-conditioning licence restricted to heat pump and split systems installation Certificate II Financial probity checks in relation to payment of penalties or fines Skills maintenance on an as-needed basis Three-year licence duration	Not licensed in this jurisdiction In Queensland a licence is only required for the contracting of refrigeration and air conditioning work, which is not licensed at an occupational level. The Queensland Government is yet to make a decision regarding the introduction of new licences.
Contractor Refrigeration and Air-conditioning Refrigeration and air-conditioning licence restricted to heat pump and split systems installation Personal probity Financial probity Nominee	Refrigeration, Air-conditioning and Mechanical Services Including Unlimited Design Removed requirements: requirement to prove financial capability evidence of experience New requirements: financial probity checks in relation to payment of penalties or fines requirement for a nominee to hold a national licence Refrigeration, Air-conditioning and Mechanical Services Including Limited Design Removed requirements: requirement to prove financial capability evidence of experience New requirements: financial probity checks in relation to payment of penalties or fines requirement for nominee to hold a national licence Substantially the same
Offshore Technical Skills Record No national licensing proposed Queensland has proposed the endorsement for hydrocarbons requiring the completion of the following units of competency: • UEENEEJ074A – safety awareness and legal requirements for hydrocarbon refrigerants • UEENEEJ075A – service and repair of self contained hydrocarbon refrigeration and air-conditioning systems) • UEENEEJ076A – install and commission hydrocarbon refrigeration systems, major components and associated equipment	Gas work licence (hydrocarbon refrigerants) Removed requirements (if endorsement is not included): • the completion of an apprenticeship in refrigeration mechanics or equivalent air conditioning, such as a Certificate III in Refrigeration and Air Conditioning or other equivalent qualification accepted by the chief inspector • certified training by a gas device manufacturer • formal competency based training from an Registered Training Organisation in safe use of hydrocarbon refrigerants UEENEEJ074A and UEENEEJ075A will be the mandatory training for the issue of a full hydrocarbon refrigerant authorisation for domestic refrigeration, box air conditioners and split system air conditioners up to 18 kilowatt cooling. Other larger commercial refrigeration or air conditioning equipment work would require the applicant to complete the UEENEEJ076A in addition to the other modules • ARC Licence (Full Refrigeration and Air conditioning licence, Restricted Split System Air conditioning Installation and Decommissioning Licence, or Restricted Domestic Refrigeration and Air conditioning Appliance Licence)

Attachment C – National licensing policy development process

Membership of the Refrigeration and Air-conditioning Interim Advisory Committee, Refrigeration and Air-conditioning Regulator Working Group and the Council of Australian Governments National Licensing Steering Committee is provided below.

The Interim Advisory Committee and Regulator Working Group met throughout 2010 and early 2011 to assist with the development of the first four elements of licensing policy for the national licensing system:

- licence categories, licence types and authorised scopes of work
- eligibility requirements (skilled and non-skilled)
- other licence characteristics (exemptions, conditions, restrictions and endorsements)
- transitional arrangements.

The objectives used in developing the policy which forms the basis for the proposed regulations and Amendment Bill are taken from section 3 of the *Occupational Licensing National Law Act 2010*, as set out below:

- (a) to ensure that licences issued by the Licensing Authority allow licensees to operate in all participating jurisdictions;
- (b) to ensure that licensing arrangements are effective and proportionate to ensure consumer protection and worker and public health and safety while ensuring economic efficiency and equity of access;
- (c) to facilitate a consistent skill and knowledge base for licensed occupations;
- (d) to ensure effective coordination exists between the Licensing Authority and jurisdictional regulators
- (e) to promote national consistency in—
 - (i) licensing structures and policy across comparable occupations; and
 - (ii) regulation affecting the requirements relating to the conduct of licensees; and
 - (iii) the approach to disciplinary arrangements for licensees;
- (f) to provide flexibility to deal with issues specific to particular jurisdictions or occupations;
- (g) to provide the public with access to information about licensees.

The policy development process, in addition to complying with COAG's *Principles of best practice* regulation, followed the principles set out in the Intergovernmental Agreement for a National Licensing System for Specified Occupations, which forms the basis for establishing national licensing:

- (a) The system operates in a transparent, accountable, efficient, effective and fair manner;
- (b) Regulatory intervention in the form of licensing is only contemplated where risks arising from market failure or risks to public health and safety warrant corrective action and, of all feasible options, licensing provides the greatest net public benefit;

- (c) Licensing arrangements do not duplicate legislative protections contained under other laws, in particular, competition law, consumer protection law or occupational health and safety law;
- (d) Licensing arrangements only include requirements needed to address identified consumer protection risks arising from market failure and/or worker and public health and safety risks without imposing unnecessary costs on consumers and business or substantially lessening competition;
- (e) Licensing eligibility requirements are expressed in objective not subjective terms;
- (f) The system will not require the extension of licensing to sub-groups of a broad occupational group that are not currently licensed in particular jurisdictions; and
- (g) Licensing arrangements are subject to an initial review five years after commencement and subsequently at a frequency no less than every ten years.

As part of the National Occupational Licensing Authority's communications strategy, following each meeting, communiqués outlining the progress of work were made available on national licensing website (www.nola.gov.au).

Table C.1: Membership of the Refrigeration and Air-conditioning Mechanics Interim Advisory Committee

Name	Organisation	
Mr John Ramsay – Chair	Member of the National Licensing Expert Working Group	
Mr Chris Boyle	Queensland Building Services Authority	
Mr Ian Curry	Australian Council of Trade Unions	
Mr Glenn Evans or		
Mr George Thompson	Australian Refrigeration Council	
	Department of Finance and Services	
Ms Regina Haertsch	National Reforms, NSW Fair Trading	
Mr John Ingram	Australian Council of Trade Unions	
Mr Shayne La Combre	Victorian Plumbing Industry Commission	
Mr Graham Mackrill	Air-conditioning and Mechanical Contractors Association	
Mr Doug McClusky	Australian Council of Trade Unions	
Mr Patrick McInerney	Commonwealth Department of Sustainability, Environment, Water, Population and Communities	
Mr Larry Moore	National Electrical and Communications Association	
Mr Kevin O'Shea	Refrigeration and Air-conditioning Contractors Association	
Mr Bob Paton or		
Mr Nick Juniper	Manufacturing Industry Skills Council	

Table C.2: Membership of the Refrigeration and Air-conditioning Mechanics Regulator Working Group

Name	Stakeholder	
Mr John Ramsay	Chair	
Ms Regina Haertsch	NSW – Department of Services, Technology and Administration	
Mr Shayne La Combre	Victoria – Plumbing Industry Commission	
Mr Chris Boyle	Queensland Building Services Authority	
Mr Don Saunders, or Mr Saj Khan	Energy Safety Division, Department of Commerce, Western Australia	
Mr Ian Johnston	Consumer and Business Services Division of the Attorney-General's Department, South Australia	
Mr Robert Steedman	Department of Justice, Workplace Standards Tasmania	
Mr David Middlemiss	Environment and Sustainable Development Directorate, ACT	
Mr Fabio Finocchiaro	Department of Employment, Education and Training, Northern Territory	
Mr Patrick McInerny	Department of Sustainability, Environment, Water, Population and Communities	

Table C.3: Membership of the Council of Australian Governments National Licensing Steering Committee

Jurisdiction	Member	Department	
Commonwealth	Chair – Mr Robert Griew	Department of Innovation, Industry, Science, Research and Tertiary Education	
NSW – joint	Dr Meg Montgomery	Department of Premier and Cabinet	
	Mr Scott Wheeler	Department of New South Wales Treasury	
VIC	Mr Sam Abusah	Department of Treasury and Finance	
QLD	Ms Katrina Martin	Queensland Treasury	
WA	Mr Alistair Jones	Department of Treasury and Finance	
SA	Mr Stephen Campbell	Department of the Premier and Cabinet	
TAS	Ms Kerrie Crowder	Department of Justice	
ACT	Mr Brett Wilesmith	ACT Treasury	
NT – joint	Mr Robert Bradshaw	NT Department of Justice	
	Mr Armando Padovan	Department of Lands and Planning	

Table C.4: Membership of the National Occupational Licensing Authority Board

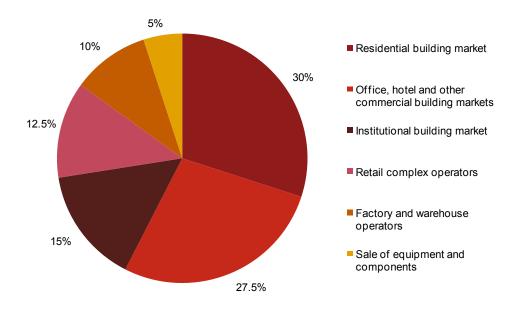
Chair
Ms Elizabeth Crouch
Board members
Mrs Wendy Machin
Mr Graham Anderson
Mr Albert Koenig
Mr John Sutton
Ms Miranda Douglas-Crane
Mr Tony Arnel
Ms Anne Gale
Mr David Ford

Attachment D – Overview of sector and current licence requirements

The refrigeration and air-conditioning industry primarily involves the installation, maintenance and repair of refrigeration, air-conditioning and heating equipment in residential, commercial and industrial buildings and the installation of air-conditioning duct work. The industry generated revenue of \$4.57 billion with value added of \$1.82 billion or approximately 0.2 per cent of GDP in 2010–11.³⁷ One-third of industry revenue was generated from maintenance and repair work, making it less vulnerable to cyclical fluctuations in the broader economy. Despite this, the industry does remain heavily reliant on new building construction, especially for the installation sector. Export earnings, mainly comprising repatriated profits, currently account for \$20 million of annual revenue or 0.4 per cent.³⁸

The main output of the industry is the provision of highly skilled labour, particularly in terms of installation, maintenance and repair of fixtures and fittings. Installation accounts for approximately 65 per cent of industry output, and the remainder is dominated by maintenance and repair work. Figure D.1 shows the major market segmentations.

Figure D.1: Major market segmentation of the Australian refrigeration and air-conditioning industry, 2011



Source: IBISWorld 2011, Air-conditioning and heating services in Australia, Industry Report E4233, April.

The majority of the industry works in the residential and office, hotel and other commercial building segment. However, the main source of revenue being derived from new installation, maintenance and repair work is in the non-residential building segment.

The industry currently has about 3,400 establishments, with a relatively even cross-section of organisational sizes with on average five people employed per organisation.³⁹ Most of the

³⁷ IBISWorld 2011, *Air-conditioning and heating services in Australia*, Industry Report E4233, April, p. 4. 38 Ibid., p. 5.

³⁹ Ibid.

established organisations in the industry can provide a broad range of services, while small- to medium-sized contractors tend to specialise and operate in distinct geographical areas.

Though the geographical segmentation of the industry tends to correspond to the distribution of economic activity across the jurisdictions, it is heavily influenced by differences in climate. For example, there is a higher proportion of installation of air-conditioning units in the hotter northern states, while there is greater demand for ducted heating work in the cooler southern states. This is evident in Figure D.2, which shows that Queensland's share of national industry establishments (22.3 per cent) exceeds the state's share of GDP.

1.70% 1.50% 1.10%

QLD

11.90%

VIC

WA

SA

ACT

ACT

TAS

Figure D.2: Market segmentation by business location, 2011

 $Source: IBISWorld\ Industry\ Report\ E4233: Air-conditioning\ and\ Heating\ Services\ in\ Australia,\ April\ 2011.$

Current licence requirements

Regulatory framework

The licensing of air-conditioning and refrigeration occupations is undertaken by a variety of agencies across the states, territories and the Commonwealth. In the Australian Capital Territory, New South Wales, South Australia and Tasmania, the licensing of refrigeration and air-conditioning workers rests with generic regulators, who have responsibility for licensing a number of different occupations. In the Northern Territory, Queensland, Victoria and Western Australia, occupational licensing is undertaken by separate boards or regulators. A list of the regulators relevant for refrigeration and air-conditioning in each jurisdiction is shown in Table D.1

Table D.1: State and territory regulators of refrigeration and air-conditioning occupations

State or territory	Regulator
NSW	NSW Fair Trading
Vic	Plumbing Industry Commission and EnergySafe (for a restricted electrical licence)
Qld	Queensland Building Services Authority (trade contractor licensing) The Petroleum and Gas Inspectorate, Department of Natural Resources and Mines (occupational gas work licence (hydrocarbon refrigerants))
Commonwealth	Licensed by the Australian Refrigeration Council Ltd on behalf of the Australian Government

Table D.2: State and territory regulators of related licensing for refrigeration and air-conditioning

State or territory	Regulator	
ACT	Planning and Land Authority (licensed as electricians)	
NT	NT Worksafe (licensed as electricians)	
SA	Consumer and Business Services Division of the Attorney-General's Department, South Australia (licensed under building and restricted electrical licences)	
Tas	Workplace Standards (licensed under plumbing and electrical)	
WA	Electrical Licensing Board (Energy Safety) (licensed as restricted electrical licences)	

Summary of jurisdictional approaches

Currently, Western Australia, the Australian Capital Territory and the Northern Territory do not license refrigeration and air-conditioning work. Victoria and Tasmania license mechanical services (as defined above), which is regulated under plumbing (and is discussed in the Plumbing and Gasfitting Regulation Impact Statement). South Australia regulates both refrigeration and air-conditioning under the building and restricted electrical occupations, but does not license actual refrigeration and air-conditioning work that includes refrigerant gases. New South Wales and Queensland are the only states that license air conditioning and refrigeration as a separate occupations; Queensland licenses at a contractor level licence only, while New South Wales licenses at both the contractor and occupational licence levels. Queensland also licenses the handling of hydrocarbon refrigerants at an occupational level.

Different licence requirements

Licensing to undertake refrigeration and air-conditioning work is not consistent across the jurisdictions. Licences issued by jurisdictions for the same occupational area often have different parameters, eligibility requirements and scopes of work. This includes different licence classifications, training requirements, licence periods, licence structures and fee structures. Examples of the differences that have been identified in the approaches to the regulation of refrigeration and air-conditioning occupational area by the jurisdictions are:

- In Queensland, refrigeration and air-conditioning work is licensed under the building occupations at a contractor licence level only, as one broad licence category covering both refrigeration and air-conditioning.
- Queensland is the only jurisdiction to license the handling of hydrocarbons refrigerants and requires refrigeration and air-conditioning workers to hold an occupational gas work licence to

work with hydrocarbon refrigerants. Prerequisites to obtaining this licence include holding the Commonwealth Arctick licence and a Certificate III Refrigeration Mechanic.

- The majority of jurisdictions regulate refrigerants of all kinds under occupational health and safety, gas or dangerous goods legislation, and do not distinguish between the refrigerants.
- New South Wales offers refrigeration and air-conditioning licences at both a supervisor and a
 contractor licence level. Refrigeration and air-conditioning work are licensed as separate
 categories, i.e. as refrigeration work and as air-conditioning work.
- Regulations to address public health risks relating to refrigeration and air-conditioning are sometimes covered by health legislation, for example, maintenance of cooling towers.
- Within all jurisdictions, the regulation of the refrigeration and air-conditioning is also licensed, in various ways, by building, plumbing and electrical regulators.
- In Victoria, to obtain a refrigeration and air-conditioning endorsement, a licensee must first hold
 a licence or registration in mechanical services plumbing, hold relevant qualifications (either a
 Certificate III in Air-conditioning and Refrigeration (UEE32211) or Certificate III in Engineering –
 Mechanical Trade (MEM30205)), hold a restricted electrical licence and have a minimum of two
 or four years relevant practical experience.
- South Australia regulates refrigeration and air-conditioning under the building occupations
 where the primary focus of licensing is the structural integrity of the installation of a
 refrigeration and air-conditioning unit in a building (i.e. the mounting of the unit and the
 strengthening of trusses where required) but does not license actual refrigeration and airconditioning work. A restricted electrical licence is required for any electrical work in relation to
 fault finding and the electrical connection of the unit to the power.
- Tasmania licenses mechanical services plumbing, but are concerned primarily with the plumbing aspect of the work. They do not license refrigeration and air-conditioning work.
- Western Australia, the Australian Capital Territory and the Northern Territory do not license refrigeration and air-conditioning work.

All jurisdictions, however, currently require refrigeration and air-conditioning workers to hold a restricted electrical licence to disconnect and reconnect refrigeration and air-conditioning equipment if they are working with equipment that is hard wired when they are undertaking installation and repairs. In some jurisdictions a restricted plumbing licence may also be required to disconnect and reconnect from a water supply.

For example, in Western Australia a refrigeration and air-conditioning tradesperson gains the underlying qualifications for a restricted electrical licence as an integral part of their Certificate III in Electrotechnology, Refrigeration and Air-conditioning training. The licence is granted automatically upon completion of their apprenticeship and presentation of their Certificate III document. This licence authorises tradespersons to perform the following electrical work:

- disconnect and reconnect refrigeration and air-conditioning equipment
- perform fault finding on refrigeration and air-conditioning power and control circuits
- modify, replace or repair components within the refrigeration and air-conditioning package
- modify refrigeration and air-conditioning control circuits in switchboards and panels
- install factory-supplied cable only between refrigeration and air-conditioning components in split-cycle systems up to 4kW.

The restricted electrical licence does not authorise the holder to install or alter fixed wiring.

This is similar to other jurisdictional practices. Responsibility for administering these regulatory schemes lies with the relevant jurisdictional electrical and plumbing regulators.

It is possible that the limited extent of state licensing is influenced by other regulatory processes such as electrical, plumbing licensing, health regulation and by the skills and qualifications required to obtain the Commonwealth Arctick licence and is seen to mitigate risk of not licensing the occupations.

The licensing of refrigeration and air-conditioning occupations is therefore very difficult to compare, as regulation requirements for persons to have a specific licence to undertake refrigeration and air-conditioning work is not consistent across jurisdictions.

Commonwealth Arctick Licence

The Commonwealth Arctick licence (Arctick licence) requires that any person undertaking work to install, service or repair an air-conditioner, or any other refrigeration and air-conditioning equipment, must be a licensed individual under the Ozone Protection and Synthetic Greenhouse Gas Management Regulations 1995 (Cwlth) (the Regulations). Holders of a Refrigerant Handling Licence are individuals who are qualified in their field of activity and have met the licensing requirements under the Regulations.

Under the Regulations, a Refrigerant Trading Authorisation is also required when a business or individual wishes to acquire, possess or dispose of refrigerant. A Refrigerant Trading Authorisation is subject to conditions and auditing processes designed to minimise the risk of emissions while the refrigerant is in the business or individual's possession.

The breakdown of licence type and industry sector is at tables D.3 and D.4.

Table D.3: Commonwealth Arctick licence by licence type

Licence type	Number	Percentage
Trainee Licences	4,262	7.7%
Trainee Classroom Only Licences	2,150	3.9%
2 Year Licences	47,028	84.6%
Transitional 1 Year Licences	782	1.4%
Transitional Refrigerant Handler Licences	176	0.3%
Transitional Refrigerant Recoverer Licences	168	0.3%
Full/Trainee Licences	42	0.1%
Full/Transitional Licences	246	0.4%
Awaiting Assessment	508	0.9%
Incomplete Appplications	196	0.4%
TOTAL LICENCES	55,558	100%

Table D.4: Commonwealth Arctick licence by industry sector

Licence type	Number	Percentage
RAC	24,152	43.5%
Automotive	24,812	44.7%
Split Systems	4,926	8.9%
Domestic	375	0.7%
Aviation	132	0.2%
Marine	297	0.5%
Refrigerant Recoverer	254	0.5%
Refrigerant Handler	273	0.5%
Transport Refrigeration	130	0.2%
Online Awaiting Assessment	207	0.4%
TOTAL LICENCES	55,558	100%

Attachment E – Risks associated with refrigeration and air-conditioning work

Generally, the regulation of the refrigeration and air-conditioning occupations, which is concerned with the heating, cooling and ventilation of buildings in Australia, has evolved as a way of protecting the health and safety of consumers, the protection of the environment and, as a component of building work, to protect consumers financially by minimising poor workmanship and the incidence of contractors failing to rectify work. The risks associated with undertaking refrigeration and air-conditioning work have been addressed by government intervening in a number of ways, including through business and occupational licensing (in some jurisdictions), occupational health and safety regulation, health regulations and building standards and codes for undertaking work.

Risks associated with the use of refrigerants

Currently, a large proportion of the refrigeration and air-conditioning equipment in Australia uses fluorocarbon refrigerants to facilitate the heat transfer process. The risks associated with fluorocarbon refrigerants is that their release can result in environmental harm. 'Fluorocarbon refrigerants are synthetic chemicals which usually have a high global warming potential, and some still have the potential to cause damage to the ozone layer as well if released to the atmosphere.'

Alternatives to these synthetic chemicals are the 'natural' refrigerants, so-called because the substances also occur in nature. These alternatives include ammonia, carbon dioxide and hydrocarbons.

Hydrocarbon refrigerants have excellent refrigerant properties and a very low global warming potential and no ozone depletion potential. However, if hydrocarbon refrigerants leak from refrigeration systems and mix with air, they can form a potentially explosive mixture. While quantities of refrigerant in domestic situations are usually small, refrigerant charges in commercial and industrial situations are significant and ignition of any leak could cause considerable damage and consequences. In the mobile situation (such as motor vehicles) the consequences of leaks of even small charges can be very significant.'⁴¹ Consequences of these safety concerns can be significant for the owner of the equipment or system and for the person involved in the incident, as outlined in the safety alerts issued by SafeWork South Australia, the New Zealand Department of Labour and Petroleum and Gas Inspectorate.

There is a need for safe design and operational practices and control mechanisms to safely and adequately address the safety risks in using hydrocarbon refrigerants. As noted in the report by the Department of Environment and Water Resources in Queensland, most incidents have occurred due to poor service practices.

Systems that were originally designed to use non-flammable refrigerants and retrofitted to use flammable hydrocarbon refrigerants must obtain expert advice from the manufacturer for safety requirements and compatibility of the equipment or system⁴².

⁴⁰ Heaney, C, Swinard, R, Pang, A & West, S 2007, *Natural refrigerants: case studies*, Australian Institute of Refrigeration, Air-conditioning and Heating, p. 3.

⁴¹ See http://mines.industry.qld.gov.au/safety-and-health/safety-hydrocarbon-refrigerants.htm.

⁴² Hychill's website 'Refrigeration appliances using hydrocarbon refrigerants (ECOFRIG Publication) 1997'

Risks associated with the contamination of air-flow

Contamination of air supply systems and air supply systems that deliver poor indoor air quality may result in a range of health problems such as respiratory illnesses (for example legionella), headache, fatigue and recurrent infections.⁴³

Contamination of indoor air supply systems results from a build-up of air pollutants and biological contaminants such as bacteria, moulds, mildew, viruses, animal dander and cat saliva, house dust, mites, cockroaches, vermin, and pollen. For example, air-conditioning duct systems, especially in humid climates, can be incubators for microbial pollutants such as mould and bacteria, including legionella, which are widespread in the environment, being found in lakes, ponds, creeks and other bodies of water. They can also thrive in man-made systems such as cooling towers associated with air-conditioning and spas. With the alternating high and low humidity conditions that regularly occur in air-conditioning ducts during air conditioner operation, moulds grow, spread, produce spores and distribute the spores throughout a house or building.⁴⁴

Australia's largest legionella outbreak occurred in April 2000 at the Melbourne Aquarium, where 125 cases of legionnaires disease were diagnosed and 4 people died. This outbreak was due to legionella pneumophila, which was found to be contaminating the Aquarium's cooling towers.⁴⁵

Table E.1 outlines the risks that can arise from refrigeration and air-conditioning activities.

Table E.1: Risks associated with refrigeration and air-conditioning work

Risk area	Impact
THISK GI CG	·
Health and safety	 air quality – incorrectly installed or maintained refrigeration and air-conditioning systems can lead to health problems and the spread of disease or pose safety issues for workers and the public (e.g. CO² leaks, ammonia, hydro carbons and all refrigerants)
	 contamination of air-flow (although it is acknowledged this risk is covered by public health laws)
	 potential electrical hazards associated with defective or incorrect wiring or associated work practices
	 fire safety – flammable refrigerants or faulty installation assisting fire to move through a building
	 potential risk of fatality or severe injury to the public and workers from explosion of flammable refrigerants
	food safety, e.g. failure of fridges causing food problems
	refrigerant leaks including in high pressure systems
	cross contamination in manufacturing environments
Property damage ^a	 incorrectly installed refrigeration and air-conditioning systems leading to structural damage, leaks, product damage
	 fire safety – flammable refrigerants or faulty installation assisting fire to move through a building
	refrigerant leaks, including in high pressure systems
	product damage
	 increased building, repair and maintenance costs and unnecessary energy consumption

⁴³ Storey, E, Dangman, K, Schenck, P, DeBernardo, R Yang, C, & Bracker, A 2004, *Guidance for clinicians on the recognition and management of health effects related to mold exposure and moisture indoors*, University of Connecticut Health Center. Instructional book developed under Cooperative Agreement No. T 981255 awarded by the U.S. Environmental Protection Agency

⁴⁴ See The Key to Mold Control is Moisture Control article.

⁴⁵ Western Australia Department of Commerce 2009, Code of practice: Legionnaires disease.

Risk area	Impact
	dangerous conditions, such as drawing heating equipment combustion gases into the building cooling (or heating) air
Environmental ^b	 indirect greenhouse emission not covered under refrigeration and air-conditioning loss of energy efficiency due to poor installation defective refrigeration and air-conditioning systems or installation/maintenance work practices that result in the release of fluorocarbons and other gases into the environment infection control cross contamination in manufacturing environments

- a It should be acknowledged that licensing does not prevent property damage.
- b Environmental risks are also covered by environmental law.

Risks involving hydrocarbons

The following articles show a number of risks and alerts involving work with hydrocarbons.

WorkSafe Victoria

Information for Manufacturers and Suppliers of Substances

WorkSafe Victoria interprets the duty of care for manufacturers and suppliers of substances under the *Occupational Health and Safety Act 2004* and ensuring health and safety. WorkSafe Victoria states that risks to health and safety must be eliminated and reduced as far as reasonably practicable. Both manufacturers and suppliers have a duty to provide information, take account of potential risks in their entirety, to test and supply in a safe condition and to inform upon request.

New Zealand Department of Labour Health and Safety Publications

Safe Use of Hydrocarbon Refrigerants

The factsheet provides information about the need for safe design of plant and control system, and adequate maintenance and safe operation practices when using hydrocarbon refrigerants. The factsheet also notes that retrofitting systems may need to be recertified and that technicians may need to be qualified and informed about the regulatory controls and standards. Furthermore, the factsheet suggests that workers ensure that no potential sources of ignition exist where flammable gas could be present. This includes all electrical equipment not certified for use in hazardous areas.

SafeWork South Australia - Incident-related

Use of Flammable Refrigerants Including Hydrocarbon Mixes

A hazard alert was issued by SafeWork South Australia after a fire resulting from a hydrocarbon refrigerant. The incident caused serious burns to a refrigeration mechanic and an auto electrician. A quantity of hydrocarbon refrigerant escaped and came into contact with an ignition source, resulting in the fire. Risk control measures for handling highly flammable refrigerants recommended by SafeWork South Australia include:

- use refrigerants according to manufacturer's specifications
- use only fixed equipment and if designed to use flammable refrigerants
- acquire advice from the vehicle manufacturer to retrofit a vehicle's air-conditioning system
- apply appropriate and permanent labelling
- use odorised hydrocarbon refrigerants

• users and technicians take precautionary measures where possible as odorising agents can be filtered within the refrigeration system.

Note: Work on air-conditioning in vehicles is out of the scope of the refrigeration and air-conditioning occupations under national licensing.

Department of Labour Health and Safety Publications – Incident-related

Coolstore Hydrocarbon Refrigerant Injures Technician

A hazard alert was issued by Department of Labour New Zealand as a result of a fire erupting from a commercial refrigeration unit containing hydrocarbon refrigerant, but which was marked as containing a non-flammable gas. There was significant damage to the refrigeration unit, and the technician suffered burns on his face and hands. The investigation into accident revealed that the owner was unaware that the unit contained flammable refrigerant, there was no signage to identify the hazard type, both the owner and the technician presumed the unit was safe and the hydrocarbon refrigerant was not odorised to provide indication of a leak in the system. The Department of Labour New Zealand recommends and emphasises that all persons who own, service or install cool store units should determine what refrigerant is within the system and should follow AS/NZS 1677.2:1998 Refrigerating Systems – Safety Requirements for Fixed Applications and AS/NZS 60079.29.2:2008 Explosive Atmosphere – Gas Detectors – Selection, Installation, Use and Maintenance of Detectors for Flammable Gases and Oxygen, where applicable. There is also emphasis that advice and assistance should be sought from a technician who is a competent refrigeration engineer.

United States Environmental Protection Agency

<u>Detailed Questions About HC-12a</u> *, <u>OZ-12</u> *, <u>DURACOOL 12a</u> *, <u>EC-12a</u>, and other Flammable Hydrocarbon Refrigerants

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Home Building Regulation 2004

New Zealand Department of Labour Health and Safety Publications Safe Use of Hydrocarbon Refrigerants

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General Safety

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The Key to Mold Control is Moisture Control

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