



NICNAS Cost Recovery Review

Draft Cost Recovery Impact Statement (CRIS)

Stakeholder Meetings

November 2011

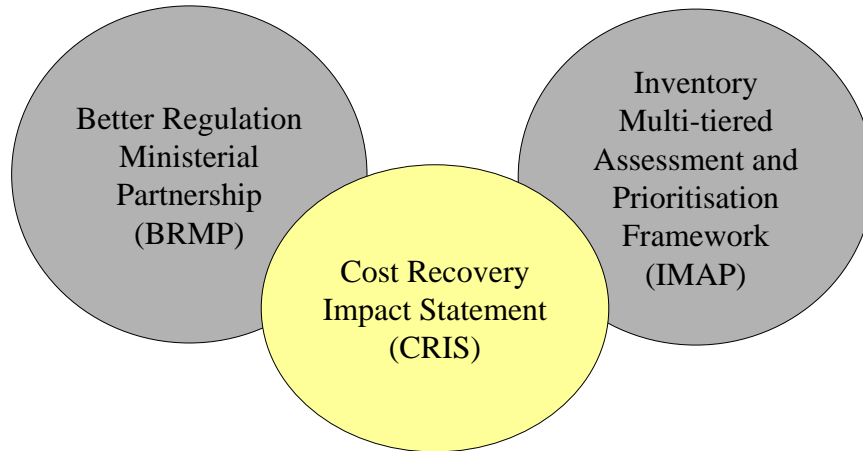


Communication

- Tolerance - Different representations/Different perspectives
- Fair go for everyone
- Acronyms or jargon
- Right forum?.....able to influence today?
- Park Chart
- For clarity – quick example
- Make link to last point clear, if appropriate
- Seek 1st to understand before being understood
- Anything to add??



Current activities



What is the purpose of the CRIS?

- Transparently demonstrate compliance with the Government's Cost Recovery Guidelines
- Outline proposed changes to the existing cost recovery arrangements based on review outcomes
- Sets fees and charges for the period of the CRIS
 - 2012-13 to 2015-16 (4 years)



What is the purpose of today?

- Focus on mechanisms used to cost recover NICNAS expenses
- Explain how we reached the proposed models in the CRIS
- Clarify any ambiguities
- Gather suggestions on alternative cost recovery mechanisms to achieve the same outcomes



Australian Government Cost Recovery Policy and Guidelines

- Main principle
 - Entities should set charges to recover all the costs of products or services where:
 - it is efficient and effective to do so,
 - the beneficiaries are a narrow and identifiable group, and
 - charging is consistent with Australian Government policy objectives.
- It is the Government's decision that NICNAS is fully cost recovered



Cost recovery at NICNAS

- Recuperation of expenses is via
 - Fees for services
 - Costs driven by applicant and benefits from activity are limited to the applicant
 - Levy (charge) on introducers of industrial chemicals above a threshold
 - Costs driven by regulation of the market and may not relate to activities performed by one or other introducer



What did we do?

- The NICNAS review looked at the:
 - appropriateness of cost recovery,
 - design of cost recovery charges to minimise any under/over recovery, and
 - adequacy of monitoring arrangements.
- Review was informed by
 - ABC study done by PwC; and
 - stakeholder views (via discussion paper, workshops, online survey)



ABC key points

- There was a significant amount of data in RAS:
 - several years of history
 - most assessment categories
 - Breakdown of steps within assessment.
- Methodology
 - grossed up hourly rate (full cost including overheads)
 - time spent directly on assessments



What did we find?

- Policy Review
 - Identifiable group for charging
 - Current charging mechanisms are efficient and cost effective
 - Current charging mechanisms are consistent with policy goals
 - No significant spillover or public good characteristics of non-regulatory activities
- Therefore, cost recovery of NICNAS activities is appropriate



What did we find?

Fees

- Not currently matched to direct effort
 - component of staff training and development of risk assessment methodology currently included
- Rebates not efficient, e.g., modular categories, electronic template
- Prior informed consent (PIC) activities have a direct beneficiary and should be charged via a fee for service
- Transfer to confidential listing fee no longer applicable



What did we find?

Registration Charge

- Registrant profile
 - 4 companies introduce more than \$2 billion each
 - 94 companies are introducing less than \$395 worth of relevant industrial chemicals per year, i.e. fee is more than value of chemicals
- Inequity in tier charge
 - Tier-2 charge = 0.32% of minimum introduction value (\$1,577/\$500,000)
 - Tier-3 charge = 0.18% of minimum introduction value (\$9,201/\$5,000,000)



Key proposed changes

- better alignment of fees with the costs associated with delivering the services, including
 - introduction of some new fees for service,
 - reclassification of some existing fees, and
 - abolishment of those fees no longer relevant;
- amending the annual registration charge tier structure to provide a more equitable structure; and
- recovering the cost of stage one of the accelerated assessment and prioritisation of existing chemicals.



Accelerated Assessment and Prioritisation of Existing Chemicals



Project scope and cost

- A staged approach
- Stage one
 - approx. 3000 chemicals
 - first two tiers of the framework
 - will include an external review
 - take four years to complete (2012-13 to 2015-16)

| 2012-13 | 2013-14 | 2014-15 | 2015-16 | <i>Total</i> |
|---------|----------|----------|----------|-----------------|
| \$1.6 m | \$2.07 m | \$2.47 m | \$2.42 m | <i>\$8.56 m</i> |



Options to recover costs

- Fee for service
 - Difficult to identify introducers of specific chemicals under review
 - Free rider effects
 - Thus, not efficient or effective mechanism

or

- Levy
 - Identifiable group to charge (all introducers)
 - Would not reduce the effectiveness of the regulation or the level of compliance



Levy options explored

- Divide cost equally between registrants
- Charge registrants based on value of chemicals introduced
 - % based system
 - Charge is a fixed percentage of introduction value
 - Tier based system
 - Link to current registration
- Most efficient and effective to link to current annual registration



Registration charges for stage one

| Tier | Intro. Value | No. Registrants | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 |
|------|----------------|-----------------|-----------|-----------|-----------|-----------|
| 1 | \$1- \$99k | 2720 | \$100 | \$0 | \$0 | \$0 |
| 2 | \$100k- \$499k | 750 | \$100 | \$100 | \$100 | \$100 |
| 3 | \$500k- \$4.9m | 940 | \$280 | \$427 | \$500 | \$500 |
| 4 | \$5m+ | 380 | \$2,800 | \$4,175 | \$5,000 | \$5,000 |



Annual Registration



Annual registration

- All introducers pay registration fee to cover the administrative cost of establishing and maintaining the registration.
 - Current registration fee is \$395.
 - Recalculated cost is \$124 (2011-12)
- Introducers above a value threshold pay a levy
 - Current threshold = \$500,000
 - Proposed threshold = \$100,000



Transition from 3- to 4-tier system in 2013-14

- Proposal to split current tier-1 into 2:
 - \$1 to \$99,999
 - \$100,000 to \$499,999
- Change in tier structure requires legislative change
- Need time for legislative change, thus not implementing 4-tiers until 2013-14
- Minimise impact on industry in 2012-13 by
 - Shortfall in registration income of ~\$200k
 - Ratio of charge to introduction value remains lower for tier-3 cf. tier-2



Move to 4-tiers in 2013-14

| Tier | Intro. Value | No. Registrants | Current Charge | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 |
|------|---------------|-----------------|----------------|-----------|-----------|-----------|-----------|
| 1 | \$1-\$99k | 2720 | \$395 | \$295 | \$133 | \$138 | \$143 |
| 2 | \$100k-\$499k | 750 | \$395 | \$295 | \$295 | \$305 | \$315 |
| 3 | \$500k-\$4.9m | 940 | \$1,577 | \$1,577 | \$1,430 | \$1,480 | \$1,535 |
| 4 | \$5m+ | 380 | \$9,201 | \$11,500 | \$14,300 | \$14,800 | \$15,350 |



Total registration payable

– normal activities plus accelerated assessment and prioritisation of existing chemicals

| Tier | Intro. Value | No. Registrants | Current Charge | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 |
|------|---------------|-----------------|----------------|-----------|-----------|-----------|-----------|
| 1 | \$1-\$99k | 2720 | \$395 | \$395 | \$133 | \$138 | \$143 |
| 2 | \$100k-\$499k | 750 | \$395 | \$395 | \$395 | \$405 | \$415 |
| 3 | \$500k-\$4.9m | 940 | \$1,577 | \$1,857 | \$ 1,857 | \$1,980 | \$2,035 |
| 4 | \$5m+ | 380 | \$9,201 | \$14,300 | \$18,475 | \$19,800 | \$20,350 |



Discussion – Accelerated Assessment and Prioritisation of Existing Chemicals and Annual Registration

For the debrief. As a group please identify-

1. Any areas of concerns.
2. Discuss and propose alternatives (impact/benefit approach)
3. Any areas of agreement/support
4. Any other suggestions



New Chemicals Fees



Fees for services

- Costs determined during the ABC study, indexed for inflation and wage rises.
- Where there were no units completed during the period of the ABC study, the cost recovery price was set to be the same as a similar activity.
- Where no similar activity could be identified it is assumed that the cost recovery price is consistent with the actual fee.



Example Fee Changes

Established categories

- Fees reviewed through last CRIS
- Abundant data for ABC study

| Category | Current Fee | Proposed Fee | Change |
|----------|-------------|--------------|--------|
| STD | \$16,782 | \$16,800 | 0.1% |
| LTD | \$14,057 | \$12,000 | -15% |
| PLC | \$4,735 | \$5,600 | 18% |
| CEC | \$3,730 | \$4,000 | 7% |



Example Fee Changes

Categories introduced through LRCC

- Initial fee set based on estimate
- Not previously reviewed
- Data available for ABC study

| Category | Current Fee | Proposed Fee | Change |
|----------|-------------|--------------|--------|
| SAPLC | \$2,841 | \$3,900 | 37% |
| LVCR | \$737 | \$2,000 | 171% |



Example Fee Changes

Categories with no data for ABC study

- Set same as similar
 - CUP, CER, Application to vary full public report
- Set same as current
 - SANHC, SANHP, Application to be a holder of confidence



Changes to modular fees

| Category | Current | Proposed |
|---|---|---|
| Assessed by comparable agency | Up to 40% rebate | Fixed fee ~80% of corresponding assessment category (i.e., 20% < full certificate) |
| NICNAS previously assessed similar chemical | Up to 40% rebate plus 20% rebate if similar use | Fixed fee ~60% of corresponding assessment category (i.e., 40% < full certificate) |
| Group Assessment - STD | 80% rebate | Fixed fee for STDs ~25% of STD fee (i.e., 75% < STD) |
| Group Assessment – LTD or PLC | 80% rebate | Fixed fee for LTDs or PLCs being ~20% of LTD fee (~80% < LTD & ~45% of PLC fee (~65% < PLC) |



New non-refundable screening fee

- Set at 15% of the assessment fee
 - Based on effort calculated through ABC study
- Will be a component of the overall assessment fee
 - E.g., STD assessment screening fee = \$2,520, remaining \$14,280 returned if application rejected due to deficiencies



Removal of fees

- Transfer to a Confidential Listing
 - No longer applicable
- Rebates
 - ABC study found use of electronic template did not necessarily result in reduction in effort
 - Rebates for modular categories not efficient



Discussion – New Chemicals Fees

For the debrief. As a group please identify-

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2. Discuss and propose alternatives (impact/benefit approach)
3. Any other suggestions



Miscellaneous Issues and Next Steps



New PIC fees starting 2013-14

- Exports
 - ABC Study showed resources required vary depending on the destination of the proposed export
 - Category A – to countries whose status regarding the Rotterdam Convention is unambiguous (\$750)
 - Category B – to countries where additional resources required to determine the destination country's acceptance of the proposed exported chemicals (\$1,700)
- Imports
 - number of follow up processes
 - E.g., audits to check the use of the chemical was as stated in the application) required
 - Fee set same as Export – Category B (\$1,700)



Registration late payment penalty fees

- *IC(NA) Act* specifies late penalty fee
- Currently set at 15%
- Must offset costs and act as a reasonable deterrent for introducers to avoid being late with their payment.
- Cost to process penalty fee = \$100
- Thus, late penalty (2012-13) of \$100 or 10% of the sum of registration, whichever is the greater.



Australian Government
Department of Health and Ageing
NICNAS

Next Steps

- Open for written comment until 5 pm 30 Nov.
 - Submissions will be published on NICNAS web site (confidentiality will be retained where requested)
 - Summary of submissions and NICNAS response will be published in final CRIS
 - Stakeholder views will be considered in preparing final CRIS
- CRIS expected to be in place by 1 July 2012



Australian Government
Department of Health and Ageing
NICNAS

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