

**Report on Stakeholder Feedback - NICNAS Cost
Recovery Impact Statement**

Conducted on

July 16, 2010Melbourne

July 19, 2010.....Sydney

- Executive Summary -

Attendance - both Sydney and Melbourne had approximately 20 persons attending the Feedback Sessions. The NICNAS Cost Recovery Impact Statement Discussion paper was distributed prior to the sessions.

Format - the Agenda (Attachment A) was followed at both sessions however table discussion occurred in Sydney but not in Melbourne where open forum discussion occurred throughout.

Feedback on topics:

Equity of Current Arrangement

- Simplest model best...complexity costs money
- Sliding scale - inequity between small company and big company i.e. smaller registration fee then sliding scale
- Maintain Activity Based Cost (ABC) for tier 1 (i.e. registration fee equals administration cost); introduce formulators into system

Cross subsidisation

Views for both approaches were supported, i.e.

- cross subsidization at current level fine; and
- no cross subsidization, just charge direct fee for chemical assessment.

Missed Opportunities

- Ways to support new technology and innovation rather than have process act as a deterrent (including speed and cost of assessment)
- Detection and emergency management of new chemicals
- Use of overseas assessments

Accelerated Assessment of Existing Industrial Chemicals

- Internal costs for industry a major concern
- NICNAS costing at \$3,000,000 per annum over 6-7 years viewed as a concern, but internal costs to industry perceived to be the higher amount
- Consider downstream users contributing
- Cost recovery scaled, perhaps top tier pays more

Full Report on CRIS Stakeholder Feedback Sessions **July 2010**

AIM

The objectives of this consultation were to:

- identify and understand any issues with the current cost recovery framework;
- obtain a clear understanding of how NICNAS activities have changed since the last CRIS in 2004-05;
- prioritise the major issues of stakeholder concern regarding the efficiency and effectiveness of NICNAS operations; and
- explore mechanisms to cost recover the accelerated assessment of existing chemicals.

Feedback received will be duly considered in the development of the CRIS.

Process

Interested parties were requested to complete the Expression of Interest form or email cris@nicnas.gov.au to register interest in attending these meetings. A draft agenda, including venue location, was emailed one week before the respective meeting. No comments on the draft agenda were received.

Attendance

Both the Sydney and Melbourne and Workshops were well attended with representation from all tiers and a number of industry associations (Attachment B). A Community representative attended the Melbourne Workshop which provided balance. Tier 1 representation was limited.

Format

Participants were organized into tables that represented similar situations e.g. all tier 3 at same table, all tier 1 at same table, all industry associations at same table, so that feedback on issues would be specific to that group of similarly aligned organisations/businesses.

The agenda was followed (Attachment A).

Context for the discussions, i.e. why have cost recovery, how it works at NICNAS and what has changed at NICNAS since last CRIS, was

given via a short presentation before each session (see separate document). The main discussion topics were:

1. Equity of current NICNAS cost recovery arrangements
2. Cross subsidisation between new chemical assessment fees and registration funds
3. Changes that have occurred since last the CRIS (2004-05) and any missed opportunities
4. Overview and discussion of equitable cost recovery ideas for the accelerated assessment of existing chemicals

Discussions were conducted at the tables. Table discussions did not occur in Melbourne as the open forum took up all the discussion time. Participants were polled at morning tea in Melbourne to ensure their views were being heard in the open forum discussion.

Issues that were outside the scope of the CRIS discussion were parked. NICNAS gave an undertaking to respond to these issues separately.

Summary of feedback from both sessions

1. Equity of Current Arrangement

The NICNAS registration fees and charges are based on the value of industrial chemicals introduced. Some tier 1 companies are paying more for NICNAS registration than the value of chemicals introduced. For some large companies the cost of NICNAS registration is less than 0.01% of the value of introduced industrial chemicals. Led to discussion of what all stakeholders thought on the equity of the current arrangement. They included-

- ✚ Simplest model bestcomplexity costs money
- ✚ Introduce a Tier 4
- ✚ Sliding scale i.e. fixed percentage of introduction value
- ✚ Have smaller registration fee then sliding scale for registration charge
- ✚ Maintain activity based cost (ABC) for tier 1, i.e. registration fee equals administration cost
- ✚ Introduce formulators into registration system
- ✚ Fees based on cost of sales/profits of chemicals used rather than simply volumes
- ✚ Are Tier 1 companies paying more than administration cost?

2. Cross Subsidisation

The 2004-05 cost recovery review noted that there was some cross subsidisation between new chemical assessments and registration income. Registration money was being used to fund training and development of assessment methodologies etc, in an effort to limit the introduction cost of new innovative chemicals coming onto the market. The feedback included:

- ✚ Reasonable and can't cleanly split the overheads of the organization into 2 sections e.g. training for one will likely benefit the other etc
- ✚ Better to have cross subsidisation and 25% is acceptable
- ✚ Simplest model best
- ✚ Complexity costs money

- Need to benchmark, e.g., time to assess new chemical in 1993 versus 2010. Hours data may not be available and LRCC categories didn't exist in 1993 – may need to take averages
- Is NICNAS over evaluating some things? E.g. polymers
- ✚ Training should not be cross subsidized – pay only for assessment type
- ✚ New chemicals fee should only cover direct costs for assessment
- ✚ Allow new chemicals fees to be paid in installments over 5 years

3. Missed Opportunities

NICNAS Activities that have changed since CRIS of 2004-2005 (see attached powerpoint). Led to discussion of what all stakeholders, including NICNAS, thought were potential opportunities. They included-

- ✚ Innovation – new technology. Cost of assessment can be prohibitive to introduction
- ✚ Speed of introduction (90 days too long)
- ✚ Streamline process of new chemical registration when chemical used overseas
- ✚ New listing – if risk management required NICNAS must advise appropriate regulator e.g. SafeWork Australia, APVMA. NICNAS might provide technical input where requested. NICNAS may also make a formal recommendation to scheduling process e.g. ACCC, Existing Chemicals – lead in children's toys
- ✚ Hazard information
- ✚ Emergency management of new chemicals
 - New issue – detection of new chemicals
 - earlier input needed, gaps in knowledge
 - New challenges – containment and clean up

4. Accelerated Assessment of Existing Industrial Chemicals

Questions 27 and 28 of the discussion paper were the focus of these discussions:

27. What are your views on the benefits of addressing the regulatory gap through prioritisation and undertaking this project within a reasonable period of time? Can you see any additional benefits other than those identified?
28. What is the most equitable manner to raise funds to support prioritisation of chemicals on the inventory?

Feedback included:

- ✚ Downstream users contribute? Should formulators be brought into the system (scheme only captures introducers of chemicals)
- ✚ Use and exposure of chemicals to downstream users (how can NICNAS capture this data?)
- ✚ Cut off required so levy stops, i.e. once assessments completed cost recovery for this activity stops so it does not become an entrenched fee that never disappears
- ✚ Release information on activity based costs
- ✚ Polymers meeting definition of low concern should be excluded from process
- ✚ Take outcomes from overseas
- ✚ Project must go ahead – risk to community
- ✚ Sliding scale (similar to rego)
- ✚ What about getting the same data from multiple companies?
- ✚ Internal costs are significant
- ✚ Perhaps top tier should pay more than others
- ✚ Should a grant be sought from unions?
- ✚ Recognition of overseas regulatory outcomes compared to recognition of assessments
- ✚ Use ERMA approach, *{i.e. a group standard approach to similar classes of chemicals}*
- ✚ Remove chemicals from the inventory (AICS) that have not been assessed and are not in use in Australia
- ✚ Need for more technical staff – where will they come from

- ✚ Differences between overseas schemes and Australia need to be considered before accepting overseas outcomes. E.g., OHS risks not assessed in Canada, life cycle of chemical in environment can be different (Europe has incineration as disposal method, Australia does not).
- ✚ The chemical Nonyl Phenol Ethoxylate has been in use for years – leverage overseas assessments

Issues Arising (including 'parked issues')

- ✚ Cost recovery stifles innovation (bought up a number of times)
- ✚ Cost of evaluation can be more than the value of the chemical
- ✚ Add option for notifier to request that the new chemical not be included on either the confidential or public inventory (AICS) after 5 years from issue of certificate. Some companies submit assessment, then stop using chemical before 5 year period ends.
- ✚ Is cost recovery hindering the capacity of NICNAS to meet its legislative requirements?
- ✚ Grasp the standing committee on chemicals under COAG to make overall regulation of chemicals more efficient
- ✚ Greater mutual understanding between depts. (i.e. TGA, NICNAS etc) not currently efficient
- ✚ Loss of info re cosmetics since moving from TGA to NICNAS (i.e. permissible ingredients in topical products)
- ✚ Review of the Act (the Act will not allow us to do....)
- ✚ Annual reporting to NICNAS (on permits) - don't see the benefit or any outcome. Question the compliance with this.
- ✚ More effort into compliance
- ✚ Less effort into overseas regulation, if nothing is going to come from it {*Note interpreted as reduced NICNAS effort on bi- and multi-lateral activities with overseas regulators if outcomes are not realized*}